Designed for living

Built for life

Cairn Homes plc
Annual Report 2017

CAIRN

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What we do

Cairn is committed to constructing high-quality, competitively priced new homes with an emphasis on design and innovation in attractive locations to meet realisable market demand.

We strive to understand our customers' needs and aspirations by harnessing customer feedback and then bring together the most talented designers and craftsmen to interpret and deliver our customer influenced vision across all of our new home schemes.

Key Highlights

Financial

Revenue: €149.5 million
(2016: €40.9 million)

418 sale completions (average selling price "ASP" – €315k) up from 105 sale completions (ASP – €295k) in 2016 (all ex. VAT).

Gross Profit: €27.1 million
(2016: €7.1 million)

Gross margin 18.2% (2016: 17.3%).

Operating Profit*: €15.0 million
(2016: €3.6 million)

* Pre-exceptional items of €0.5 million (2016: €1.4 million).

Inventories: €911 million
(2016: €727 million)

34 individual sites containing c. 14,100 residential units.

€807 million development land.

€104 million construction work in progress.

Forward Sales:* 383 units

Forward sales pipeline of 383 units (sales value €143.2 million) at an ASP of €374k (all ex. VAT) as at 5 March 2018 with an expected gross margin of 19%.

Four additional sales launches in H1 2018.

* defined as a sale with a booking deposit paid, contract issued or contract exchanged.

Revenue Outlook

Forecast total revenue in excess of €350 million (including c. 800+ sales completions) and a gross profit margin of c. 20% in 2018.

We also expect our medium-term run-rate to deliver total revenue of c. €500 million from between 1,300 and 1,400 sales completions annually from 2020 (IPO target was 1,000 unit sales completions).

Operational

Land Acquisitions

Cairn's well located land bank has been acquired at a cost of 16% of estimated net development value* (ex. house price inflation), comfortably ahead of IPO target of 20%.

2017 acquisitions were targeted towards specific central city apartment sites.

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

Enhancing Value in Unique Land Bank

1,997 units granted planning permission since the start of 2017.

c. 1,900 incremental units granted planning permission or expected to be gained on existing sites through increased densities.

Six Hanover Quay

Due to the significant demand from international capital, we have commenced a formal sales process to sell the entire development.

Construction well advanced with an expected transaction close date at the start of 2019, assuming a successful sales process.

Shares Dual Listed

Primary listing on the Irish Stock Exchange on 26 July 2017.

Added to FTSE Global Small Cap Index in Q3 2017 and the ISEQ-20 Index in Q4 2017.

Customer – Product

Business has been aligned operationally to manage the three elements of our construction activities – housing, apartments and student apartments – more efficiently.

Cairn today has a highly experienced and committed team of people to deliver our vision of building great homes and great places where our customers will love to live.

11 Active Sites 8 Selling Sites

Active on 11 developments (5 at the end of 2016), which will deliver in excess of 3,650 new homes.

3 new site commencements planned for 2018.

Scale of land bank and planning maturity presents numerous site commencement options going forward.

Marianella, Rathgar, April 2018

Delivering quality homes

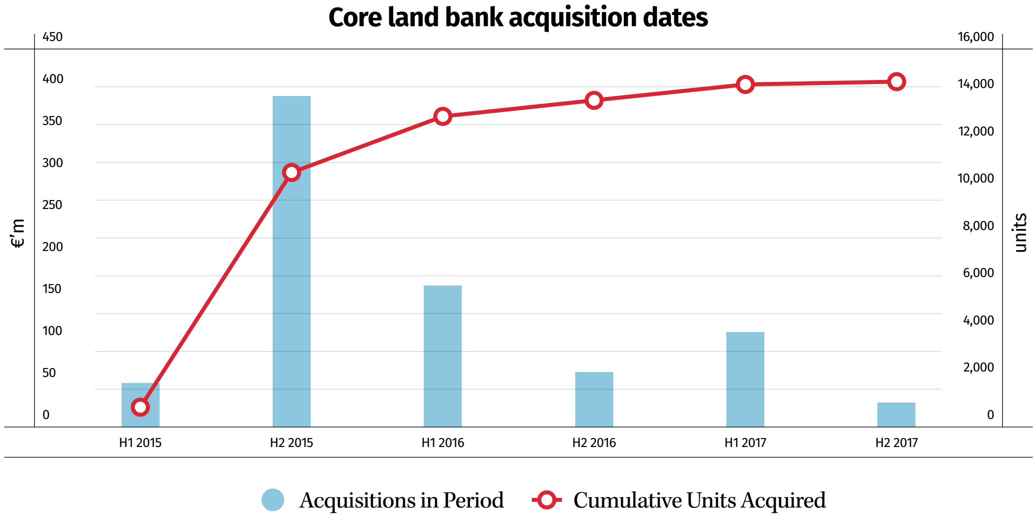
Our building teams take pride in delivering quality homes; from apprentices to engineers to foremen to site managers, we handpick our teams based on their training and experience to ensure the very best-in-class standards are achieved.

Six Hanover Quay, April 2018

Our Business at a Glance

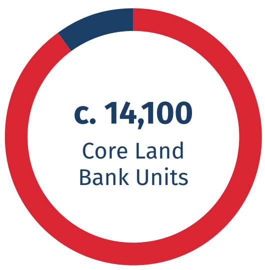
We look forward with confidence to the next phase of our growth and expect our medium-term run-rate to deliver revenue of c. €500 million from 1,300 to 1,400 sales completions annually from 2020.

Core land bank acquisition dates



75%

of core land bank capital deployed in 2015 and early 2016



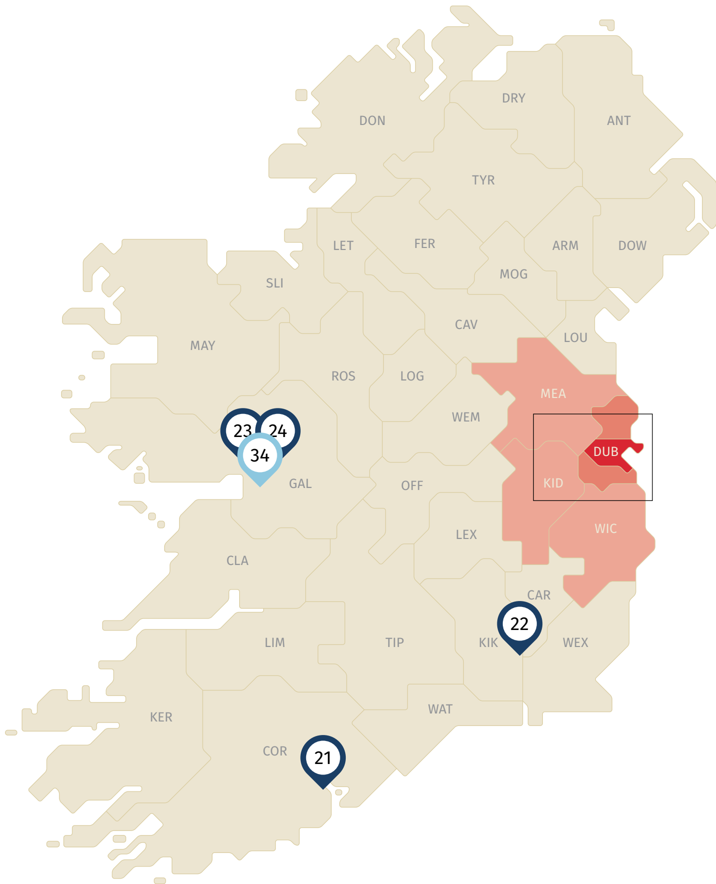
90%

of core land bank units acquired within 1 year of IPO

Core Land Bank

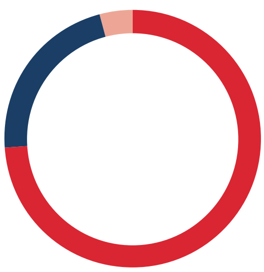
Capital allocation by geographical location

Dublin within M50	49.8%
Rest of Dublin	18.2%
Rest of Greater Dublin Area ("GDA")	27.0%
Regional	5.0%



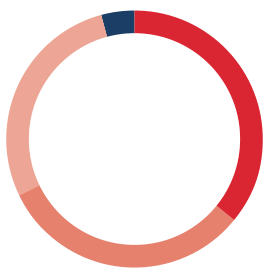
Note: See page 9 for explanation of regional site locations.

Unit Type



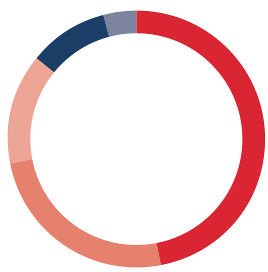
Houses	74%
Apartments	22%
Student	4%

Planning Status

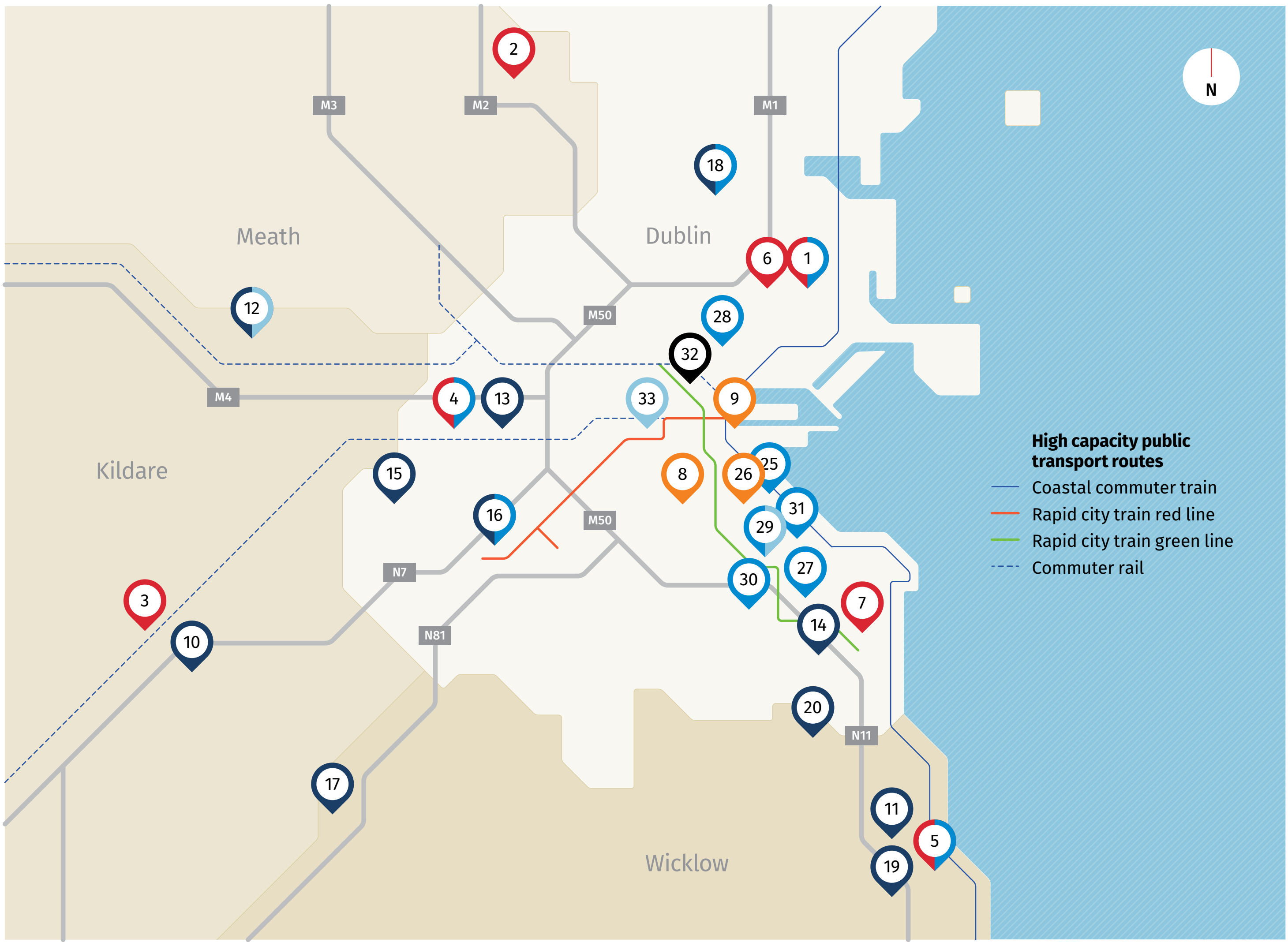


Full Planning Permission	36%
Strategic Development Zone ("SDZ") (Effective Full Planning Permission)	32%
Zoned Residential	28%
Subject to Residential Zoning	4%

Buyer Profile



First Time Buyer ("FTB") (from €250k)	47%
Trade Up / Mover (up to €600k)	25%
Premium (from €600k)	14%
Social	10%
Student Accommodation	4%



Well located **housing sites** with excellent public transport and infrastructure links

Active

1.	Parkside, Malahide Road
2.	Churchfields, Ashbourne, Co. Meath
3.	Elsmore, Naas, Co. Kildare
4.	Shackleton Park, Lucan
5.	Glenheron, Greystones, Co. Wicklow
6.	Parkside NAMA Joint Development
7.	Albany, Killiney

Future

10.	Craddockstown, Naas, Co. Kildare
11.	Coolagad, Greystones, Co. Wicklow
12.	Mariavilla, Maynooth, Co. Kildare
13.	Clonburris, Dublin 22
14.	Cherrywood, South Co. Dublin
15.	Newcastle, Co. Dublin
16.	Citywest, Dublin 24
17.	Blessington, Co. Wicklow
18.	Swords, Co. Dublin
19.	Farrankelly, Delgany, Co. Wicklow
20.	Enniskerry, Co. Wicklow
21.	Douglas, Cork
22.	Kilkenny
23.	Rahoon, Galway
24.	Ballymoneen, Galway

Prime **apartment sites** in and near Dublin city centre

Active

8.	Marianella, Rathgar, Dublin 6W
9.	Hanover Quay, Dublin 2
26.	Greenfield Park, Dublin 4

Future

25.	Montrose, Dublin 4
27.	Barrington Tower, Carrickmines, Dublin 18
28.	Griffith Avenue, Dublin 9
29.	Stillorgan, Co. Dublin
30.	Glenamuck Road, Carrickmines, Dublin 18
31.	Cross Avenue, Blackrock, Co. Dublin
1.	Parkside, Malahide Road
18.	Swords, Co. Dublin
4.	Shackleton Park, Lucan
16.	Citywest, Dublin 24
5.	Glenheron, Greystones, Co. Wicklow

Student Apartments

Active

32.	Blackhall Place, Dublin 7

Future

33.	Cork Street, Dublin 8
34.	Eyre Square, Galway
29.	Stillorgan, Co. Dublin
12.	Mariavilla, Maynooth, Co. Kildare

Note: See page 8 for regional site locations.

Housing – Selling Sites

Parkside

671 units

55.5 acres

Since its successful launch in 2015, Parkside has established itself as one of the most attractive and sought-after new developments in North Dublin. These stylish three and four-bedroom family homes are situated just off the Malahide Road beside Father Collins Park.

Phases 1 (166 units) and 2 (141 units) and the NAMA joint development (71 units) sold out. Phase 3 (88 units) under construction.

Shackleton Park

1,073 units

69 acres

Shackleton Park is a collection of spacious three, four and five-bedroom family homes on the outskirts of the picturesque village of Lucan, an established Dublin residential suburb. A 30-minute commute from Dublin City Centre by train and bus, Shackleton Park is an ideal starter home location close to all local educational, retail, sporting and social amenities.

Phase 1 (267 units) progressing well with c. 150 units sold to date.

Glenheron

491 units

87 acres

Following the success of Glenheron, the adjoining sister scheme, The View at Glenheron is an elegant development of high-quality detached, semi-detached and terraced three and four-bedroom family homes located close to the coastal village of Greystones, Co. Wicklow, a 50 minute commute from Dublin City Centre by train.

Phase 1 (50 units) nearly complete and Phase 2 (192 units) construction underway.

Churchfields

397 units

37 acres

Churchfields in Ashbourne, Co. Meath, is an exceptional development of new three, four and five- bedroom homes designed with growing families in mind. Only 45 minutes from Dublin City Centre, Ashbourne is a thriving town with exceptional schools and local amenities.

Phase 1 (173 units) sold out and construction of Phase 2 (224 units) progressing well and completions underway.

Elsmore

465 units

40 acres

A new development of three and four-bedroom, A-rated family homes situated off the South Ring Road in Naas, the largest retail hub in Co. Kildare, within walking distance of the vibrant town centre and close to all local educational, retail, sporting and social amenities and adjoining access routes.

Construction of Phase 1 (117 units) is advanced with first occupations scheduled in Q2 2018.

Albany

20 units

2 acres

Albany is an exclusive development of 20 luxury four and five-bedroom new homes on the grounds of Albany House, a sensitively restored Victorian villa situated a few minutes' walk from the sea in Killiney, South County Dublin.

Housing – Options for 2018/2019 Commencements

Mariavilla, Maynooth

462 units

49 acres

Planning application (462 units – 320 houses, 86 apartments and 56 duplex units) lodged through the Strategic Housing Development process in Q1 2018.

Craddockstown, Naas

251 units

30 acres

Full planning permission received for 251 houses in Q4 2017.

Cherrywood, Dublin

294 units

10.5 acres

Infrastructure works and completion of public parks progressing. Phasing within the Strategic Development Zone ("SDZ") is being reviewed and fast-track SDZ planning application to be submitted during 2018.

Clonburris, Dublin 22

Up to 3,086 units

177 acres

Enlarged 280 hectare SDZ expected to be approved by South Dublin County Council in H1 2018. Anticipate full An Bord Pleanála approval by the end of H2 2018 which will facilitate a fast-track (8 week) planning application at that time.

Our Business at a Glance (continued)

Farrankelly, Delgany

440 units

35 acres

Currently in detailed design stage with a view to lodging a planning application through the Strategic Housing Development process in H2 2018.

Citywest, Dublin 24

354 units

20 acres

Currently in detailed design stage with a view to lodging a planning application through the Strategic Housing Development process in H2 2018.

Swords, Co. Dublin

500 units

28 acres

Currently in detailed design stage.

Well located site within 1km of proposed Metro North, where a focus will be on higher density development.

Rahoon, Galway

220 units

21 acres

Currently in detailed design stage.

Well located site 2km from Galway city centre in an established residential suburb.

Apartments – Selling Sites

Marianella

231 units

8 acres

Marianella is a collection of spacious apartments, townhouses and houses offering a unique choice of lifestyle in the heart of one of Dublin's most prestigious residential locations in Rathgar. The development has its own Resident's Club with a wellness suite and gym, a private cinema room, a concierge service and private function room.

170 units sold and sales completions underway.

Six Hanover Quay

120 units

1 acre

SIX HANOVER QUAY

Six Hanover Quay is a landmark new apartment building in an unrivalled waterfront setting in the heart of Dublin's South Docklands. The scheme comprises 120 luxurious residential units finished to exacting standards, two ground floor commercial retail units, a private residents gym, concierge service and secure underground parking for 98 cars.

Formal sales process underway.

Apartments – Sites under Construction

Greenfield Park

86 units

3 acres

Construction has commenced at Greenfield Park, an exclusive apartment development which will consist of 68 large two-bedroom apartments and 18 spacious three-bedroom apartments, all serviced by a private Resident's Club including a full concierge service. Greenfield Park is located in Donnybrook, South Dublin's most exclusive residential address, and within close proximity to Dublin City Centre.

Apartments – Options for 2018/2019 Commencements

Montrose, Dublin 4

Units TBC

8.6 acres

Site being master-planned presently with a full design team retained ahead of pre-planning consultation with Dublin City Council.

A Strategic Housing Development planning application will be submitted in H2 2018.

Griffith Avenue, Dublin 9

Units TBC

7.5 acres

In detailed pre-planning, design and local authority consultation with a Strategic Housing Development planning application to be submitted in H1 2018.

Cross Avenue, Blackrock

Units TBC

8.0 acres

In detailed pre-planning, design and local authority consultation with a Strategic Housing Development planning application to be submitted in H1 2018.

Barrington, Carrickmines

Units TBC

12 acres

Currently in detailed design stage.

The site benefits from a dedicated light rail station which serves St. Stephen's Green in Dublin City Centre in just over 25 minutes.

Student Apartments – Active Site

Blackhall Place, Dublin 7

29 units

112 beds

2,800 sq.m.

TCD, DIT

Refurbishment underway ahead of completion and letting for the summer student market and the start of the new academic year in September 2018.

Student Apartments – Future Sites

Stillorgan, Dublin

215 units

576 beds

19,400 sq.m.

UCD, IAD

Full planning permission received through the Strategic Housing Development process in March 2018 for 576 student beds.

Cork Street, Dublin 8

90 units

399 beds

13,000 sq.m.

TCD, DIT, Griffith College

Full planning permission received through the Strategic Housing Development process in February 2018 for 399 student beds.

Mariavilla, Maynooth

179 units

483 beds

19,600 sq.m.

NUI, Maynooth

Planning application lodged through the Strategic Housing Development process in Q1 2018.

Eyre Square, Galway

22 units

147 beds

5,750 sq.m.

GMIT, NUIG

Full planning permission in place.

Chairman's Statement

"2017 was a year of significant and sustained progress for our growing business which is successfully implementing our long-term strategy and delivering a significant number of quality new homes to the market."

John Reynolds

Dear Shareholder,

I am pleased to report that 2017 was another year of strong growth and development in the continued maturing of Cairn with substantial revenue and profitability growth achieved. Significant progress was made during the year by our Chief Executive Officer and Co-Founder, Michael Stanley, and his team in developing and implementing the Company's long-term strategy as agreed by the Board.

Through the support of our shareholders and funding partners, the Company has astutely and successfully deployed over €820 million in capital in a unique and well-located core land bank of 14,100 units. Our focus is on the Dublin and Greater Dublin Markets, where over 90% of these units are located.

We have spent the last three years growing our business in a considered and measured manner as witnessed by our unit sale completion and revenue progression (2015: 11 units – €3.6 million; 2016: 105 units – €40.9 million; 2017: 418 units – €149.5 million). Last year was another important year as we commenced six new developments to bring to eleven our total number of active sites. We have increased our medium-term guidance to deliver revenue of c. €500 million from 1,300 to 1,400 sales completions annually from 2020. This is well in excess of our original IPO target of 1,000 annual sales completions at maturity.

Economy

The Irish economic recovery is now complete. Following six consecutive years of economic growth well in excess of the rest of the Euro area, the Irish economy is now firmly in an expansionary phase and larger than at its previous peak in 2007. The continuing strength of the labour market is driving employment and wage growth, with over 352,000 more people now working in Ireland than at the bottom of the market in 2012. Added to a more competitive mortgage market and falling mortgage interest rates, affordability for new homes continues to improve, particularly at the starter home end of the market. These measures all contribute towards continuing strong demand for new homes.

Strong macro-economic trends are forecast to continue into the medium-term, notwithstanding the uncertainty which Brexit has generated for the broader Irish economy. Cairn believes that any Brexit impact on Dublin and the Greater Dublin Area will be negated by further employment growth with international financial services firms continuing to announce very substantial job creation in Dublin, resulting in an even greater demand for new homes.

Irish Stock Exchange Dual-Listing

The Company's entire issued ordinary share capital was admitted to the Official List of the Irish Stock Exchange on 26 July 2017. This was another milestone event for the Company whose business is focused entirely on the Irish new homes market. The Company's shares continue to trade on the London Stock Exchange.

Governance

We, as a Board, believe that effective governance is the foundation of a successful and sustainable organisation and should be based upon an appropriate level of oversight, and a commitment to transparency. The Board sets the tone for the rest of the Company. The Directors will continue to review governance best-practice on an ongoing basis to ensure that we adapt and evolve in what is an environment of constant change. Details of our approach are set out in the separate Corporate Governance Report on pages 58 to 64.

Board Composition and Leadership

Your Board comprises of three Executive Directors, three Independent Non-Executive Directors, and myself as Non-Executive Chairman. Board members meet frequently, both formally in Board Committees and at Board meetings, and less formally to discuss matters impacting the Company. The Non-Executive Directors also meet separately as a group from time to time. All of these formal and informal meetings focus on continuing to drive the Company's strategic direction and associated matters.

I would like to thank all of my Board colleagues for their continued commitment and hard work throughout the year. The Board has played an important role in overseeing the development of the Company and it is beneficial to

"Following six consecutive years of economic growth well in excess of the rest of the Euro area, the Irish economy is now firmly in an expansionary phase and larger than at its previous peak in 2007."

all stakeholders to have such a depth of experience and knowledge available to management as they continue to drive the business forward.

The Board was delighted to announce the appointment of Tim Kenny as its Group Finance Director on 24 April 2017. Tim joined Cairn on 22 August 2017 from Musgrave Group plc where he was Group Finance and Business Development Director. Eamonn O'Kennedy resigned as Group Finance Director on 22 August 2017. The Board has acknowledged Eamonn's contribution to the Company's early development.

As part of ongoing succession planning of the Board and its Committees, we are well-advanced in our search process to appoint a new Non-Executive Director and a further announcement will be made in due course.

Annual General Meeting

All Non-Executive and Executive Directors will retire and seek re-election/election at the 2018 Annual General Meeting. Each Non-Executive and Executive Director performs effectively and has demonstrated a strong commitment to the role and I strongly recommend, in the interests of shareholders and the Board, that each of the Directors going forward be re-elected/elected at the Annual General Meeting.

Health and Safety

The Company is fully committed to the highest standards of health and safety on our sites. The health and safety of employees, sub-contractors, customers and the general public is a key priority for the Company. Increased construction activity levels increase the risk of accidents on active sites and the Company continually promotes the importance of a safe working environment and ensures the highest industry health and safety standards are set. Each active site has a dedicated health and safety manager, ensuring that the Company's health and safety policies and procedures are adhered to and implemented. Health and safety is a standing agenda item at all Board and Audit and Risk Committee meetings and to further enhance health and safety awareness, the Company recently retained an independent external auditor to undertake a monthly audit of health and safety practices and management across all active sites.

Our People

The Company has continued to make outstanding progress in delivering on its strategic objectives. The strong results for the year would not have been achieved without the dedication, expertise and capability of our senior management team, ably led by our Chief Executive Officer and Co-Founder, Michael Stanley, and all of our employees. On behalf of the Board, I would like to extend our appreciation to each of them for their contribution and commitment to the progress made during 2017. People are one of the five strategic pillars under which our business operates, and we continue to attract and retain the best talent in the market to ensure that we have the best team in place to effectively deliver on our long-term strategy.

Returns to Shareholders

The Board had previously declared that it did not anticipate paying a dividend in the short-term as the Company's primary focus was to achieve capital growth. However, in the medium-term, the Board is committed to following a progressive dividend policy as the business reaches maturity.

Outlook

The Company has a very clearly defined strategy, as approved by the Board, which is being very effectively implemented by our senior management team. We continue to deliver on our strategic objectives and have become a brand synonymous with the construction and delivery of quality new homes and apartments.

The Board is very positive about the Company's overall prospects and looks to 2018 as a year of further progress.

John Reynolds
Non-Executive Chairman

Chief Executive Officer's Statement

"Since our initial public offering in June 2015, we have built a homebuilding business in a measured and considered way. We have assembled a truly unique land bank of great sites in the best locations and managed our site commencements sensibly. We have grown our sub-contractor base across multiple sites, developed a strong and sustainable supply chain and established a reputation for building quality homes in a market with proven demand. I believe we have done the hard yards, and I look forward with confidence to the next phase of our growth."

Michael Stanley

Dear Shareholder,

As our practice is to build on large sites which have an extended lifespan, our planned expansion into 2018 and beyond will be easier to achieve, as this will in the main be delivered from sites which we are currently on or will commence during 2018. Building on larger sites enables us to generate economies of scale through procurement efficiencies and amortising fixed site costs (site works, preliminaries, site accommodation, machinery and professional fees) over longer-term construction programmes. Importantly, building on sites which have an average of c. 400 units allowed Cairn to respond quickly to increased demand during 2017 and the Company anticipates increased sales absorption rates in future years.

Our strategy is to continue to capitalise on the recovery of the Irish new homes residential property market and create sustainable shareholder value by establishing ourselves over the long-term as a leading Irish homebuilder. 2017 was another year of excellent progress in executing this strategy.

Construction Activities

With the continued maturing of Cairn, 2017 was a year of strong operational progress with a significant ramp-up in the Company's construction activities as development activity commenced on six new sites during the period: Glenheron (Greystones), Parkside – NAMA joint development (Malahide Road), Shackleton Park (Lucan), Elsmore (Naas), Greenfield Park (Donnybrook) and Blackhall Place (Dublin 7). These six new developments increase the Company's active sites to eleven, which will deliver in excess of 3,650 residential units over the coming years.

Sales Activities

We are now actively selling across eight separate developments and the Company delivered completed sales across seven separate developments in the Greater Dublin Area in 2017. The improvement in sales evident since the latter part of 2016 continued throughout 2017 and into the 2018 spring selling season. Sales absorption rates at our starter home schemes are growing, assisted by improving affordability and an increasingly competitive mortgage market with mortgage interest rates continuing to fall, in addition to first time buyers continuing to avail of the Government Help to Buy income tax rebate scheme.

The Company is also witnessing strong sales absorption rates at our award-winning Marianella apartment development from purchasers seeking to trade down as well as from investors. With premium apartment developments also attracting interest from international institutional investors and private rental sector operators seeking exposure to the Irish residential market recovery, the Company believes that strong demand will exist from these cohorts of purchasers at our other well-located developments.

Due to the significant shortage of apartments in city centre locations and strong employment growth resulting in escalating rents, we have received a number of enquiries in recent months from international institutional investors and private rental sector operators seeking to forward purchase several of our current and future high-density apartment developments. There has been specific recent interest in our Six Hanover Quay development in Dublin City Centre and the Company has commenced a formal sales process with a view to selling the entire development (comprising 120 apartments, a 5,000 sq. ft. restaurant and 1,400 sq. ft. café). If the process meets our expectations, this would lead to an expected completion date of Q1 2019.

We had a strong forward sales pipeline as of 5 March 2018 of 383 units with a sales value of €143.2 million at an average selling price of €374,000 (all ex. VAT). Our practice is to forward sell c. six months in advance, and the current forward sales pipeline underpins H1 2018 completions.

Operations

We completed an operational realignment during the year with the business now structured to manage the three elements of our construction activities – housing, high density apartments and student apartments. The construction of apartments is a more complex and management intensive process than traditional housing, with different construction skillsets and disciplines required. Our accelerated investment in central overhead and operational realignment will ensure the business operates in a more efficient and balanced way, and under a more focused operating platform, as we continue towards maturity in 2020.

Six Hanover Quay

"Due to the significant shortage of apartments in city centre locations and strong employment growth resulting in escalating rents, we have received a number of enquiries in recent months from international institutional investors and private rental sector operators seeking to forward purchase several of our current and future high-density apartment developments."

Land and Planning

One of our core strengths is our planning expertise. Significant planning gains were achieved in 2017 with over 1,187 units granted full planning permission. In addition, the Company expects to deliver a total of c. 1,900 incremental units on our existing sites by maximising densities through planning enhancements. This is being delivered by amending historic planning consents with historic densities into current, demand driven higher densities and putting practical and relevant planning and design expertise into each planning application. These gains are also a response to impactful changes in apartment design guidelines and local authorities supporting more efficient land use in the backdrop of the continuing housing crisis.

An additional and important benefit of achieving higher densities on certain sites will be the delivery of smaller units at lower entry level price points for customers (e.g. duplex units), therefore broadening our pool of prospective purchasers further.

Our land bank is mature from a planning perspective and contains no planning risk with 36% of our units having full planning permission, 32% in strategic development zones (effective full planning permission) and 28% zoned residential.

As a business, we were delighted to have been awarded the 2017 Excellence in Planning Award at the Irish Property Awards for our premium apartment development at Marianella. The Irish Property Awards programme is designed to recognise the highest standards of professionalism and excellence across the entire property sector, and this accolade is testament to the dedication and expertise of the Company's planning and development team and our ability to deliver the best apartment developments in the best locations in Dublin.

We acquired the majority of our well-located land bank within nine months of our June 2015 IPO. Our reduced level of site acquisitions in 2017 included four new sites – Montrose (Donnybrook), Greenfield Park (Donnybrook), a site adjoining our Parkside site in conjunction with NAMA

(Malahide Road) and Eyre Square (Galway). We also acquired additional land adjoining our Barrington (Carrickmines) and Enniskerry sites during the year, all of which add to the overall mix and quality of the land bank and improve the distribution of units across the spectrum of locations and price points.

Our joint development with NAMA of 71 three and four-bedroom new homes in Parkside will deliver strong returns for the joint development partners. The development is nearing a successful completion and as a business, we continue to explore joint venture opportunities which may prove attractive.

The Company has formally retained a highly regarded team of nationally and internationally renowned design professionals to work in conjunction with our planning and development team to masterplan the prime, residentially zoned 8.6 acre Montrose site ahead of submitting a planning application through the Strategic Development Housing process later in the year. We have successfully brought our first two schemes through this process with full planning permission recently received for our Cork Street (Dublin 8) and Blakes (Stillorgan) developments.

Other premium, large, high density central Dublin apartment planning applications are expected in 2018 including Cross Avenue (Blackrock) and Griffith Avenue (Dublin 9).

Residential Property Market

We believe that Dublin requires in excess of 20,000 new homes per annum in the medium term, driven by a growing population, increasing employment, annual obsolescence and eight years of chronic undersupply. In 2017, just over 4,000 new homes were sold in Dublin (source – 2017 Property Price Register). As the supply/demand imbalance continues to intensify, the housebuilding sector is responding, however the level of construction activity is still not meeting the needs of a growing population and expanding economy.

The supply of affordable starter homes in Dublin remains constrained. The average price of a new home sold in Dublin in 2017 was €436,000 incl. VAT (source: 2017 Property Price Register), and of the 4,000 new homes sold in Dublin in 2017, less than half were priced below €350,000. Our bias towards starter homes, with 47% of our land bank units targeted at first time buyers, will ensure that more affordable and competitively priced new homes are delivered to this cohort of the market in the years to come.

With headline house price inflation remaining high at 12.5% nationally in the year to January 2018 (source – CSO: Dublin – 12.1%, Rest of Ireland – 13.0%), it is worth noting that Eurostat, the statistical office of the EU, reported that 12% national house price inflation in the year to September 2017 was split 5.9% for new homes and 13.1% for existing homes. This is consistent with our experiences on the ground, where first time buyers and those seeking to trade-up are mortgage-dependent purchasers, sensitive to the Central Bank of Ireland macro-prudential lending rules.

Dublin house prices remain 23.6% behind peak 2007 levels while rents are now 19% above their peak levels (source – Daft.ie Q4 2017 Rental Price Report). The rental crisis continues unabated and the level of stock available to rent remains at record low levels. It continues to be significantly dearer to rent than own and finance a starter home in Dublin. The Company estimates that the cost of renting compared to owning continues to increase from €419 per month or 32.5% in September 2017 to €494 per month or 37.3% in March 2018. We believe we are ideally positioned to continue to offer high quality new homes at competitive prices which will continue to attract customers who are paying excessive rents.

“The Group expects to generate total revenue of in excess of €350 million in 2018 including more than 800 sales completions. In addition, the Group is targeting a gross margin of c. 20% in 2018.”

Government Initiatives

A number of positive initiatives have been announced under the Government’s “Rebuilding Ireland” action plan including:

- the selection of the residential development sites which will benefit from the €226 million Local Infrastructure Housing Activation Fund (the Company owns five sites which will benefit from this funding);
- the introduction of new fast-track planning for developments greater than 100 residential units and 200 student beds through the Strategic Development Housing process;
- the introduction of the Help to Buy income tax rebate scheme to assist first time buyers in the purchase of new homes; and
- the launch of the Rebuilding Ireland Home Loan product which provides mortgages, through local authorities, to first time buyers acquiring new or existing homes subject to certain approval criteria.

The Company welcomes the recent Government announcement of a review of the Rebuilding Ireland action plan to identify new and additional actions requiring implementation to improve supply, and the new National Planning Framework, known as “Project Ireland 2040”, which was officially launched on 16 February 2018. The plan aligns the country’s spatial planning and investment decisions, underpinned by €116 billion in capital spending, and forms a strategy for Ireland’s growth and development until 2040.

The new apartment design guidelines announced in March 2018 and an expected imminent announcement relating to building heights will assist in accelerating the supply of much needed new apartments, particularly in Dublin City Centre, and will also be supportive of the Company’s efforts to maximise the value of our land bank.

People

Our achievements as a business to date could not have happened without quality people with the right combination of expertise and homebuilding experience. We invested heavily in our people throughout 2017 and increased our headcount from 52 direct employees at the end of 2016 to 126 direct employees at the end of 2017.

We have strengthened our senior management team further since the start of 2017 with the appointments of Tim Kenny as Group Finance Director, Sandra Thorpe as Corporate Development Director, Ruchika Hassan as Director of Marketing & Sales and Ian Cahill as Head of Finance, to complement the existing senior team.

We have a highly experienced and committed team of people to deliver our vision of building great homes and great places where our customers will love to live.

I echo my Chairman’s sentiments in thanking each of my colleagues for their hard work, dedication and contribution to our business in 2017.

Outlook

The strong level of demand for new homes witnessed in 2017 has continued into 2018 as evidenced by our forward sales pipeline. The Group expects to generate total revenue of in excess of €350 million in 2018 including more than 800 sales completions. In addition, the Group is targeting a gross margin of c. 20% in 2018. The Company expects our medium-term run-rate to deliver revenue of c. €500 million from 1,300 to 1,400 sales completions annually from 2020.

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

Michael Stanley
Chief Executive Officer & Co-Founder

Cairn Management Team

Michael Stanley

Chief Executive Officer & Co-Founder

Tim Kenny

Group Finance Director

Kevin Stanley

CCO/Managing Director, PBSA

Sandra Thorpe

Corporate Development Director

Jude Byrne

Managing Director, Apartments

Liam O'Brien

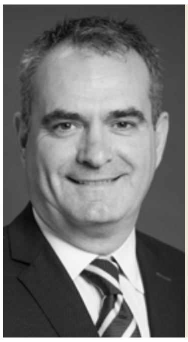
Managing Director, Housing

Ruchika Hassan

Marketing & Sales Director

Ian Cahill

Head of Finance



Fergus McMahon

Managing Quantity Surveyor

Cairn Management Team (continued)

Aidan McLernon

Planning & Design Manager

John Grace

Planning & Design Manager

Susan O'Connor

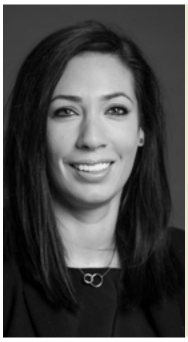
Company Secretary

Declan Murray

Head of Investor Relations

Brian Carey

Senior Manager Acquisitions



Eiméar O'Flanagan

HR Manager

Strategy

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

Strategic Pillars

Customers
Making the home buying journey exceptionally positive for all of our customers

Homes
Design and build brilliant homes

Places
Create places for communities to prosper

People
Continue to attract and retain the best talent in the market

Operational Excellence
Leverage a commercial operational platform

Vision

Be the most trusted and respected home builder in Ireland

Mission

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

Business Model

A defined and flexible Business Model to deliver on our long-term strategic objectives

1. Land
2. People
3. Planning & Design
4. The Homes we Build
5. Customer Experience

Culture and Values

- Collaborative
- Agile & Innovative
- Commercially Minded
- Committed & Engaged
- Honest & Straight Talking

Business Model

The Steps we Take to Ensure our Future Success

Our business is based on these resources:

Our People and Relationships

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

Our Land Bank

A 14,100 unit wholly owned land bank.

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

Our Customers

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

1. Land

- 14,100 units wholly owned, majority acquired within one year of IPO in 2015. Land cost to NDV – 16% (IPO target 20%)
- Agility of 34 core sites
- Unit mix across the price spectrum
- Average site size 400 units
- Amortise fixed preliminary costs over longer term construction programme
- 2017 acquisitions were targeted towards specific central city apartment sites

2. People

- High calibre, talented team assembled
- Support functions and site management teams fully resourced
- Focus on developing talent and building careers
- Business has been aligned operationally to manage the three elements of our construction activities – housing, apartments and student apartments – more efficiently

3. Planning & Design

- Land bank has no material planning risk
- Design driven by creating communities
- 1,997 units granted planning permission since the start of 2017
- c. 1,900 incremental units granted planning permission or expected to be gained on existing sites through increased densities
- Understanding our market and customer needs and designing homes accordingly

4. The Homes We Build

- Similar starter home product across multiple sites
- Own contractor – site management teams supported by central support functions
- Manage strong and established sub-contractor relationships
- Large scale sites drive construction cost economies of scale
- Energy efficient homes with high energy ratings

5. Customer Experience

- Connect with customers when they start the journey of buying a new home
- Investment in customer service operations with full after-sales operations support across all selling sites
- Fully integrated CRM system streamlined across sales and customer management process
- Provide information, advice and support during every step of the home buying journey

We enhance value in our unique land bank:

We Build Communities

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

2,000+

Over 2,000 people are working directly and indirectly on our active sites today

€149.5 million

Revenue increased from €40.9 million in 2016

€27.1 million

Gross profit and a gross profit margin of 18.2% (from €7.1 million and 17.3% in 2016)

€15.0 million

Operating profit before exceptional items (from €3.6 million in 2016)

Exceptional items of €0.5 million (2016: €1.4 million)

Strategic Pillars
Pillar 1 – Customers

Making the home buying journey exceptionally positive for all of our customers

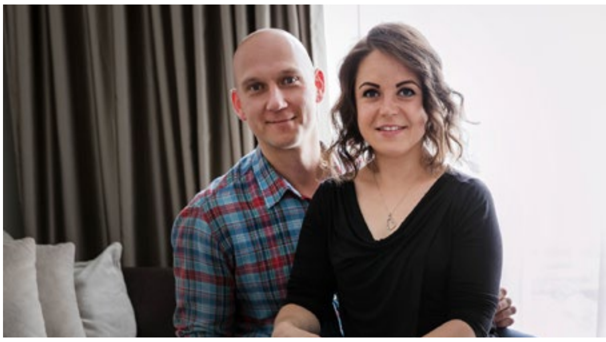
Case Study: Churchfields, Ashbourne

Buying a new home is an exciting time in anyone's life and our customer service teams ensure that it is an informed and collaborative experience.

Dedicated Customer Service Teams
Every development we build has a dedicated team of customer service representatives who, in conjunction with our selling agents, help, support and guide our customers throughout the entire home buying journey and beyond.

Our Customer Goal
We put our customers at the heart of everything we do from designing our homes to providing a dedicated after-sales service, led and measured by research surveys. We achieved strong Net Promoter Scores in Parkside (8.5) and Churchfields (9.5), our two largest starter-home developments.

We Listen
At Cairn, we are always learning and never stop trying to improve our product and service to deliver a best in class customer experience.



At Cairn, we pride ourselves on our people-focused approach to building and customer service and are always delighted to get feedback from our customers. Greg and Rosie recently moved into Churchfields in Ashbourne, and had positive things to say about their experience.

“We have been searching for a new home and place to settle for a good while. The very first time we saw Cairn houses in Ashbourne, we turned to each other and said, “This is home!” Within minutes we had our new house reserved. Several months later, as it was promised, the build was completed. It has been three months since we received the keys and started to enjoy our house. We live in a three bed semi-detached house. The architecture and design of the house is fantastic and all three bedrooms are of a good size and finished to a high standard.

As food lovers, a spacious and modern kitchen was a must. The living space and the beautiful back garden exceeded our expectations.

After a hectic day in Dublin City Centre running Rosies Café, Ashbourne’s location was our best decision. It’s quiet with good family surroundings, good restaurants and all essential shops and amenities available which can’t make this place any better than it is. Our experience with Cairn was fantastic. Their office team and the site team were always very helpful and professional.”

Pillar 2 – Homes

Design and build brilliant homes

Case Study: Marianella, Dublin 6W

When it comes to our homes, only the best will do. Our design studio brings together the best craftspeople, designers, architects and builders to deliver quality homes that stand the test of time.

Attention to Detail

Our product speaks for itself. It's all in the details with build quality at the heart of everything we do. We work with the best materials, proven design teams and an established and experienced sub-contractor base. When you buy a new Cairn home, you can be safe in the knowledge that it has been built to the highest standards of design and quality.

Building for the Future

From planning to the build, we always take the long-term view. We look closely at how families grow into our homes and communities and how our development will look and feel like, not just today, but for the next generation. It's all about our research led design process, centred on collaboration with our customers, which makes our product relevant now and in the future.

Designed for Life

We are all about creating places and building communities in which people love to live and prosper. Apart from great homes, we also strive to positively add to the neighbourhoods we build, through our approach to landscaping and amenities. Our award-winning landscape architect works with a team of experienced professionals to ensure our local environments are aesthetically pleasing and change and grow from season to season, now and into the future.

Róisín Lafferty from Kingston Lafferty Design, is the talented Irish designer behind the inspirational interiors at our Marianella show apartments

"Marianella is a really exciting development catering to a down-sizer market. Rathgar is a very settled and established area; there hasn't been a lot of development there over recent years, and it's a really beautiful setting. We took a lot of inspiration from the beautiful surroundings of Rathgar, especially in the artwork and the materials we have chosen. Everything is very high quality, from the flooring to the kitchens, so they will stand the test of time.

Making the most of the space and light was a key consideration. There's full-height glazing everywhere, so that's maximising all the light and the really nice views out to the mature grounds. The apartments themselves are very spacious – the master bedrooms have walk-in wardrobes – so there is no compromise in terms of space."

Risk Management

Principal Risks and Uncertainties

The principal operating risks and our approach to mitigating those are:

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

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

Risk Description	Mitigation
Financial Controls Framework	
The risk or failure to adhere to agreed policies, procedures and processes due to a lack of financial controls, leading to potential financial misstatement, fraudulent behaviour or a potential financial loss to the Group and Company.	Financial controls and policies in place in order to manage risks across the key areas. Central Office personnel with direct site operational knowledge in place in order to monitor site activity and site cost. An outsourced internal audit function has been set up in order to test the Company's internal control framework and to suggest improvements where required. These improvements are presented to the Audit and Risk Committee and are reviewed periodically to assess implementation.
Liquidity Management	
The risk that the Group does not maintain sufficient liquidity headroom to ensure that it can always meet its working capital requirements as they fall due. Risk that slower than expected sales impact on the Group's liquidity position. The risk that failure to comply with the Group's banking covenants results in the withdrawal of funding lines.	The Company aims to ensure that it always has sufficient liquidity in place to meet the Group's cash flow requirements for the next 3 years. The Company prepares regular forecasts that look at both the short-term and longer-term requirements of the Group. Regular monitoring, forecasting and reporting of banking covenants. Speed of delivery on individual schemes takes account of sales absorption rates across each individual scheme. An unforeseen stretch in liquidity can be managed through a reduction in the pace of build on one or more sites if necessary.
Government Policy	
Risk that the Government and planning authorities will introduce new legislation or legislative changes that result in material cost, or time delays for the Group. Inability to adhere to the complex and stringent regulatory environment that applies to the building industry.	The Company monitors all policy changes through its planning department and the experienced team is well placed to interpret regulatory changes. The Company uses external advisors who advise on any changes to relevant legislation. Rigorous design standards in place for the homes that the Group develops. Participation in industry advocacy groups. The recent changes to the planning regime (involving a one step process with An Bord Pleanála for all sites delivering greater than 100 residential units), enacted into legislation in June 2017, should ensure that the timeframe to obtain planning permission on large sites is reduced.

Risk Management (continued)

Risk Description	Mitigation
Programme Risk/Project Planning	
The risk that the Group incurs costs which are higher than expected or experiences delays in construction due to poor planning.	Robust project plans and controls are in place. Monthly reporting of all project costs, with variances and explanations highlighted in monthly reports and discussed at monthly meetings. The construction programme is linked clearly to the sales programme, with regular analysis by site comparing sales status with forecast completion dates. Key oversight personnel in place across all projects.
Availability and Quality of Materials	
The risk that the Group is unable to source the materials it requires at the right time and at the best price, due to availability and volume constraints, or risk that sub-contractors utilise poor quality, prohibited or dangerous materials.	Current size and growth prospects make the Group an attractive customer for suppliers. Continued scaling of the business should ensure that the Group has access to necessary materials at competitive prices. There is strong quality control monitoring through on-site engineers and materials are tested at concrete plants and on site.

Recognising our customers' needs

We bring together the most talented designers and craftsmen to interpret and deliver our customer influenced vision.

Marianella, Rathgar, April 2018

Market Overview

Key External Market Measures

1. Project Ireland 2040

The new National Planning Framework, known as "Project Ireland 2040", was officially launched on 16 February 2018. The plan aligns the country's spatial planning and investment decisions, underpinned by €116bn in capital spending over the next decade, and forms a strategy for Ireland's growth and development until 2040.

550,000 new houses are required in Ireland up to 2040 to meet the needs of a growing population. Housing, which remains Ireland's largest infrastructure deficit, understandably represents a core element of Project Ireland 2040 with a target of 25,000 new home units to be built annually. A new National Regeneration and Development Agency will be set up to assist in the delivery of these targets. This will be a central agency with the requisite powers to coordinate the multiple agencies that are involved in the provision of housing in Ireland.

2. Rebuilding Ireland

The objective of the Government's "Rebuilding Ireland" action plan in respect of residential construction is to double the annual level of new homes construction to 25,000 by 2021. A number of initiatives have been implemented to date, including;

- the launch of the €226 million Local Infrastructure Housing Activation Fund. Cairn owns five sites – Shackleton Park (Lucan); Parkside (Malahide Road); Cherrywood (South County Dublin); Glenamuck Road (South County Dublin) and Clonburris (West Dublin) – which are approved for funding;
- the introduction of new fast-track planning for developments greater than 100 residential units and 200 student beds through the Strategic Development Housing process;
- the introduction of the Help to Buy income tax rebate scheme (lower of €20,000, 5% of the purchase price of the new home or the amount of income tax paid over the previous four tax years) in respect of new homes valued up to €500,000 to assist first time buyers in the purchase of new homes until the end of 2019; and
- the launch of the Rebuilding Ireland Home Loan product which provides mortgages, through local authorities, to first time buyers acquiring new or existing homes subject to certain approval criteria.

3. New Apartment Design Guidelines

The announcement on 12 March 2018 of new apartment design guidelines will assist in accelerating the supply of much needed new apartments, particularly in Dublin City Centre, by facilitating a more efficient method of apartment construction and improving the gross to net sellable area.

The principal changes are:

- Underground car parking can be eliminated in city centre locations located close to public transport;
- Maximum number of units per lift core increased to 12 (previously 8);
- Minimum studio apartment sizes reduced to 37 sq.m from 40 sq.m, with the rest remaining unchanged (1-bedroom apartments 45 sq.m, 2-bedroom apartments 73 sq.m, 3-bedroom apartments 90 sq.m);
- Maximum number of 1-bedroom or studio apartments increased to 50% (previously 30%);
- Reduction in the ratio of dual aspect apartments to 33% in urban centres (previously 50%); and
- Build-to-Rent and shared accommodation formalised in the planning code and restrictions on units mix in Build-to-Rent do not apply.

The new guidelines move away from "blanket restrictions" on height, allowing location appropriate design. Height limits are currently contained within city development plans, however the Government will now supersede this with guidance in the National Planning Framework, due to be announced imminently.

Market Outlook

Strong Economy

The Irish economic recovery is now complete. With GDP growth of 7.8% in 2017, the Irish economy is now firmly in an expansionary phase and larger than at its previous peak in 2007 (source – CSO).

The labour market continues to strengthen with strong employment growth (3.1% in the year to December 2017) and low unemployment (6.0% in February 2018, down from 7.3% in February 2017). There were over 352,000 more people working in Ireland at the end of 2017 then at the bottom of the market in 2012.

Consumer confidence remains strong with 2.2% growth in consumption in 2017 underpinned by wage inflation of 2.0% and a 7.2% increase in retail sales (source: CSO), while manufacturing continues to expand with the composite Purchasing Managers Index averaging 58.0 throughout 2017 (source: Thomson Reuters Datastream).

All of these measures are reflective of an Irish economy continuing to grow at a very solid pace and they further underpin future GDP growth forecasts of 3.9% in 2018 and 3.1% in 2019 (source: Goodbody).

These strong macro-economic trends, underpinned by other external factors such as increased government support for the housebuilding sector and an improving mortgage environment, are contributing towards improved affordability for new homes which is broadening our buyer pool.

Notwithstanding the prolonged period of undersupply of new homes in the Irish market, demand is further supported by strong demographics. The population of Ireland grew by 3.80% (173,613) in the five years to April 2016 (source: 2016 Census) and by a further 1.12% (52,900) in the year to April 2017 (source: CSO). This cumulative population growth of 4.76% is nearly three times the EU average of 1.76% between 2011 and 2017 (source: Eurostat).

With an average household size of 2.75 people (source: Census 2016) and an increase in the population of 226,513 in the six years to April 2017, over 82,000 new homes were required over this period to meet the housing needs of the country. The Property Price Register indicates that just 34,350 new homes were built over this period (source – Property Price Register), a shortfall of over 47,000 new homes.

The commencement of phase two of the Brexit negotiations, which will agree on the future trading arrangement between the EU and the UK, will have significant implications for the Irish economy. The agreement by the EU to a two-year transitional arrangement from March 2019 has removed the threat of a “cliff-edge Brexit”, however the wider trade negotiations are likely to take some time yet to agree. While risks remain to the broader economy, Cairn believes that the impact on Dublin and the GDA will be negated by further employment growth with international services firms continuing to announce significant job expansion, resulting in an even greater demand for new homes.

The vast majority of materials used by the Group in its construction activities are domestically sourced, with those imported tending to be sourced within the EU, and not through the UK.

Mortgage Market Environment

The positive momentum witnessed in the Irish mortgage market last year supports the Company's growth trajectory. The value of mortgage drawdowns increased by 28.6% year on year to December 2017 to €7.3 billion, while mortgage approval values increased by 34.0% to €9.3 billion in the same period (Source: BPFI Mortgage Approvals December 2017 and BPFI Mortgage Drawdowns Q4 2017).

The ongoing strength of approvals indicates that the value of mortgage drawdowns will continue to increase, however the continued shortage of housing for mortgage approved customers has seen the gap between the number of mortgages approved and the number of mortgage drawdowns increase to 20% in 2017 (2016: 16%).

Importantly, first time buyer mortgages drawdowns increased to 49% of all drawdowns in the year (46% in 2016), an increase of just under €1 billion.

Competition amongst mortgage providers continues to intensify, resulting in continued downward pressure on standard variable and fixed interest rates – the new drawdown average variable rate has decreased from 3.40% in Q4 2016 to 3.32% in Q4 2017, while average 1-3 year fixed rates decreased from 3.27% to 3.08% in the same period (source: CBI).

Housing Outlook

While the annual long-run housing demand for new homes in Ireland is between 30,000 to 35,000 units (source: ESRI), the Company believes that Dublin requires in excess of 20,000 new homes per annum in the medium term, driven by a growing population, increasing employment, annual obsolescence and eight years of chronic undersupply.

The Company estimates that the total number of new homes sold in Ireland in multi-unit developments in 2017 was just over 9,250 units (Dublin – 4,026 units) as measured by new homes sales in the 2017 Property Price Register, reflecting a market where supply is significantly below the level of annual demand. While the supply/demand imbalance continues to intensify, the housebuilding sector is responding, however the level of construction activity is still not meeting the needs of a growing population and expanding economy.

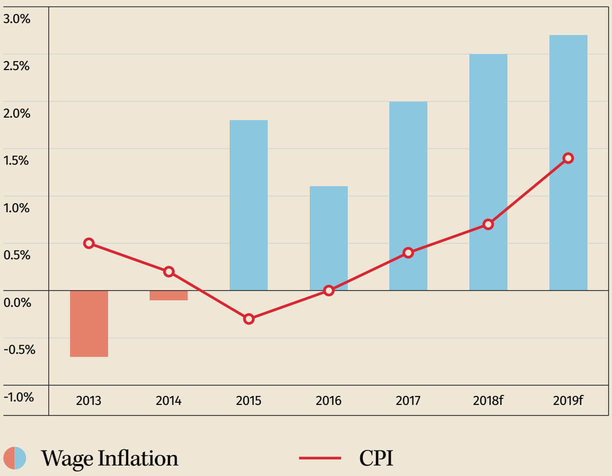
The underlying demand for new housing in Ireland is therefore expected to remain strong into the medium term across all price points. Demand is more realisable for first time buyers with improving affordability for this cohort of purchaser and better access to mortgage finance. Our practice of acquiring and building on larger scale developments allowed us to respond quickly to increased demand during 2017. Similarly, demand for our premium apartments is strong from purchasers seeking to trade down as well as from investors. These purchasers are not generally mortgage dependent.

The Company is now active on eleven separate sites, and will commence construction on three further sites during 2018.

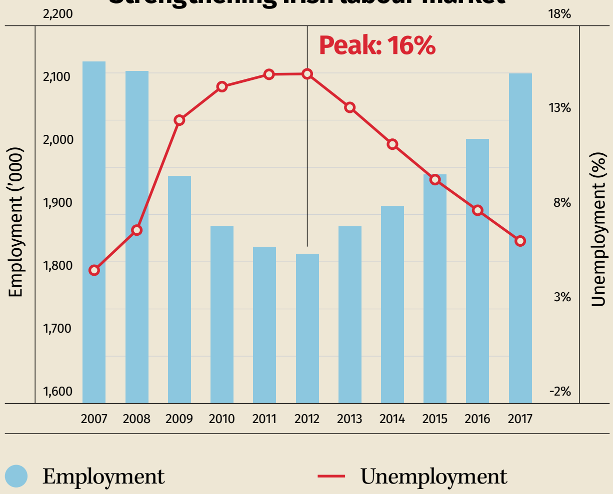
The Company's strategy is to continue to capitalise on the recovery of the Irish new homes residential property market and create sustainable shareholder value by establishing itself over the long-term as a leading Irish homebuilder.

Key Drivers Boosting Affordability

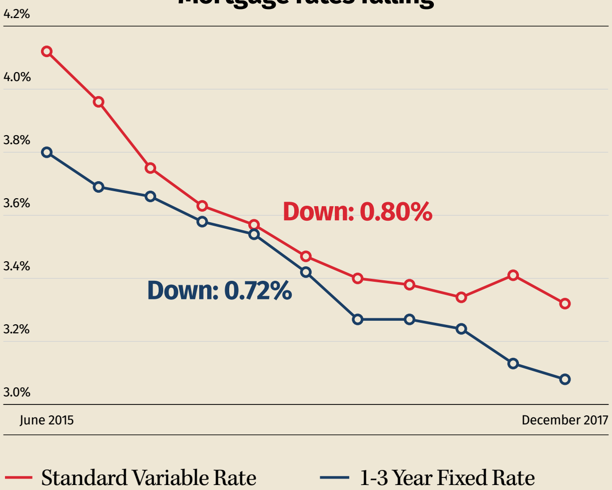
Wage inflation outstripping consumer price index



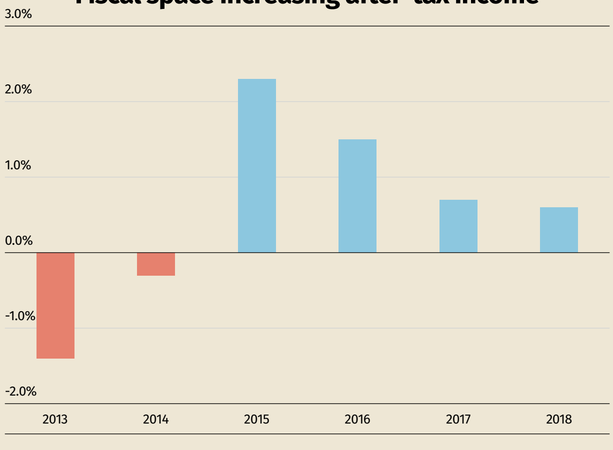
Strengthening Irish labour market



Mortgage rates falling



Fiscal space increasing after-tax income



End of Austerity – Impact on couple earning €80k per annum

Group Finance Director’s Review

In my first year as Group Finance Director, I am delighted to present this review of Cairn’s financial performance for 2017.

Tim Kenny

Dear Shareholder,

Revenue

2017 represented a year of significant revenue growth and strong operational performance for Cairn, putting the Group firmly on track to deliver on its financial and strategic objectives. The business achieved revenues of €149.5 million in the year (2016: €40.9 million). Having concluded our capital deployment phase in 2016, the business focused on its home building and selling activities, evidenced by the growing unit sales in 2017. The business delivered against its financial targets by way of unit volumes, which increased by almost 300% to 418 (2016: 105) units. This performance is as a result of successful selling activity on our schemes at Parkside; Parkside joint development; Churchfields; Shackleton Park; Glenheron; Albany and Marianella. Average selling prices (ASPs) improved by 6.8% year on year to €315,000 (2016: €295,000) (excluding VAT).

Outlook

Forward sales at 5 March 2018 totalled 383 units, equating to €143.2 million revenues, or an ASP of €374,000 (excluding VAT) reflecting a higher mix of premium apartments. Furthermore, the Group expects to generate total revenue of in excess of €350 million in 2018 including more than 800 sales completions.

Gross Margin and Operating Margin

Gross margins strengthened to 18.2% (2016: 17.3%) for the year, and the gross profit amounted to €27.1 million (2016: €7.1 million). The strengthening margins reflect Cairn's scaling, coupled with strong market conditions. The Group is targeting a gross margin of c. 20% in 2018. Operating profit (before exceptional items) of €15.0 million (2016: €3.6 million) was more than 300% higher than in the prior year, reflecting the continued maturing and strengthening of the business. Operating margin increased to 10.0% (2016: 8.9%). Increased administrative costs of €12.4 million (excluding exceptional costs of €0.5 million) reflect the increase in the Group's activities and strengthening of Cairn's operational platform in response to its broadening product mix, including design and build high density apartments delivering higher shareholder returns. Exceptional items of €0.5 million relate to the costs incurred during the year in connection with the Irish Stock Exchange listing. The Group continues to exercise strict financial discipline across all aspects of the business as we seek to continue to grow our gross margin and operating margin.

Profit after Tax and Earnings per Share

Net finance costs for the year of €8.5 million include the cost of the additional debt facilities relating to the Montrose site acquisition and other loan drawdowns in the year. Overall, the Group delivered a profit after tax of €5.0 million, compared to a loss after tax of €2.1 million in 2016. Basic and diluted earnings per share increased to 0.6 cent, both up from a loss of 0.3 cent in 2016.

Financial Position

At 31 December 2017, total assets were €1,005.0 million (2016: €834.3 million). Net assets amounted to €721.7 million (2016: €664.4 million), an increase of 8.6% over last year. Inventories increased by 25.3% to €911.5 million at year end, reflecting the increase in our unique land bank which accounted for 86.5% of the inventory balance, with work in progress making up a further 11.5%. The Group was active on eleven sites at year end and increased the investment in work in progress to €104.5 million (2016: €37.3 million) at the end of 2017, reflecting the increase in development activity during 2017.

Cash Flow

In May 2017, our share placing raised net proceeds of €50.4 million. Net cash used in operating activities amounted to €128.6 million (2016: €121.2 million), primarily reflecting our investment in inventories of €184.3 million, which included our site purchases in 2017 and our work in progress spend on our active development sites less cost of sales releases and site sales.

During 2017, we added to our debt facilities by way of a €50 million term loan relating to the Montrose site acquisition. At 31 December 2017, the Group had net debt of €159.4 million (2016: €76.0 million), made up of drawn debt of €245.2 million (net of unamortised arrangement fees and issue costs) (2016: €148.6 million), available cash of €68.8 million (2016: €45.6 million) and restricted cash of €17.0 million (2016: €27.0 million). We keep our medium to long term financing requirements, including adequate liquidity and financial flexibility, under continuing review as we look to further scale the business with an appropriate capital structure.

Overall, our financial performance in 2017 was strong and demonstrates our excellent progress in delivering our strategic objectives.

Tim Kenny
Group Finance Director

Building new communities

We design each development to be the heart of a growing community, both now and for generations to come.

Parkside, Malahide Road, August 2017

Corporate Responsibility

Cairn recognises its responsibilities as a member of the communities where we build our new homes and is committed to developing links to those communities through a range of charitable initiatives supported by local staff and management.

The Cairn Sustainability Model

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

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

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

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

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

Pillar 1	Pillar 2	Pillar 3	Pillar 4
Sustainable Living Environments	Sustainable Buildings	Sustainable Building Practices	Sustainable Supply Chain and Workforce

Pillar 1: Sustainable Living Environments

Sustainable urban design and place-making is at the core of each of our developments. Guided by our in-house Urban Designer and Landscape Masterplanner, we carefully design our open space landscapes and associated public amenities to deliver sustainable living environments equipped with a host of social infrastructure and recreational facilities. Our developments provide people-friendly places integrated with existing public transport systems, schools, and local shops and include crèches, playgrounds, green areas and provision for new local shops. We also regularly set aside sites for schools with new schools due to be constructed at our Parkside, Glenheron and Douglas sites during 2018.

We care about the spaces between the new homes we build and we develop people friendly spaces where our customers become good neighbours and friends, with both each other and those living in adjoining developments. In this way, we create sustainable communities which fully integrate with existing communities.

We aspire to create urban environments and green space networks which improve as they mature. At the core of our design philosophy is delivering high-quality public realm and green spaces which are robustly detailed to stand the test of time. We place an emphasis on a native tree palette and planting long-lived specimens and parkland trees for future generations to enjoy. We promote natural play within our parks; using timber equipment, organic materials and natural features for playgrounds which fit in seamlessly with surrounding nature but also encourage children to play, learn and explore.

Pillar 2: Sustainable Buildings

Simple innovations have informed our approach to cost effective sustainable building design. Our developments incorporate water taps that use the latest aerated technology to reduce water wastage, dual-flush toilet cisterns and smart technology thermostats which allow our homeowners to control heating and hot water straight from their smartphones.

We take energy performance very seriously and ensure our new homes are built to maximise thermal efficiency. This is achieved by using high levels of roof, wall and floor insulation, delivering excellent air tightness levels (typically exceeding Part L Building Regulation requirements) and low U-value window systems. We deploy specialist Thermal Bridging Analysis to optimise building envelope energy performance.

We use a range of different renewable energy technologies in our new homes including roof mounted solar photovoltaic panels and combined heat and power district heating systems. We also use heat recovery ventilation systems to recycle heat energy which would otherwise be wasted.

All of our new homes have achieved a minimum A3 BER rating.

Pillar 3: Sustainable Building Practices

Sustainable building practice starts with effective and consistent health and safety policies and procedures. All of our staff are responsible for health and safety and this priority is embedded within the day to day operations of the business. Through our dedicated on-site health and safety managers, we ensure that our employees, sub-contractors, customers or members of the public remain safe throughout the entire construction and sales process. To ensure our health and safety policies and procedures are being continuously adhered to, and to provide an independent and impartial oversight of these practices, we recently retained an independent external auditor to undertake a monthly audit of health and safety practices and management across all active sites.

Cairn is a holder of Safe-T Cert accreditation, a construction sector specific safety management system accreditation awarded to qualifying companies following a rigorous assessment process. Our strong safety record is a testament to the safety culture and our behaviours across each of our developments.

Sustainable housing construction and design lies at the heart of our business and our building practices. We believe in using knowledge to protect and improve our natural environment and human health. Right from the very start of our projects, we work closely with our design teams to design out waste and implement the five principles of waste reduction:

1. Design for Waste Efficient Procurement;
2. Design for Materials Optimisation;
3. Design for Off-Site Construction;
4. Design for Reuse and Recycling; and
5. Design for Deconstruction.

A site waste management plan is compiled for each project which will set out:

1. Who will be responsible for the resource management;
2. What type of waste will be generated;
3. How will the waste be managed – reduced, reused or recycled;
4. Which contractors will be used to ensure the waste is correctly recycled or disposed of responsibly and legally; and
5. How the quantity of waste generated by the project will be measured.

Our waste management ethos is to eliminate, reduce, reuse, recycle and dispose of leftover materials in a responsible way. In 2017 we reduced the volume of waste produce per m^2 of construction by approximately 20% with further reductions being sought throughout 2018.

We use sustainable building materials such as FSC certified timber products and undertake specific noise and dust control and monitoring on all of our sites to ensure our developments are sustainable operations and mitigate the impact on the surrounding environment during the construction period.

Pillar 4: Sustainable Supply Chain and Workforce

An enduring supply chain and workforce forms the vital final pillar of our model for sustainable growth as we scale our business.

We continue to invest in training programmes for our employees, while also working with our established supply chain to enhance their capabilities.

We are mindful of the key role that apprentices will play in sustaining the success of our industry, and we are passionate about promoting the industry to young people and supporting apprenticeships and training, through our tailored sponsorship and awards scheme. This area will get further focus in 2018 and beyond.

Corporate Governance

Board of Directors

John Reynolds
Non-Executive Chairman

Age: 59 | *Nationality:* Irish

Appointed to the Board: 28 April 2015

Committee Membership:
Chairman of the Nomination Committee (since April 2015)

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 and the National Concert Hall.

Alan McIntosh
Co-Founder & Executive Director

Age: 50 | *Nationality:* British

Appointed to the Board: 12 November 2014

Skills and experience:
Alan McIntosh has been a principal investor and part of successful investor groups for over 18 years. During this time, he has had operational management roles and been part of management teams that have successfully grown a number of different businesses, including Topps Tiles Plc, PizzaExpress and Centre Parcs. Alan was a co-founder of each of Pearl Group (now listed as Phoenix Group plc), Punch Taverns plc, Spirit Group plc and Wellington Pub Company Ltd. Alan's private investment vehicle, Emerald Investment Partners, has interests in real estate, healthcare, biotech and technology in Europe and North America. He qualified as a chartered accountant with Deloitte & Touche in 1992.

Other current appointments: None

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

Age: 52 | *Nationality:* Irish

Appointed to the Board: 12 November 2014

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

Other current appointments: None

Tim Kenny
Group Finance Director, Executive Director

Age: 56 | *Nationality:* Irish

Appointed to the Board: 22 August 2017

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

Other current appointments: None

Gary Britton

Non-Executive Director

Age: 63 *Nationality:* Irish

Appointed to the Board: 28 April 2015

Committee Membership: Chairman of the Audit and Risk Committee and Member of the Nomination Committee (since April 2015). Member of the Remuneration Committee (since December 2016).

Skills and experience:
Gary Britton was previously a partner in KPMG where he served in a number of senior positions, including the firm's Board, the Remuneration and Risk Committees and as head of its Audit Practice. Gary was formerly a non-executive director of the Irish Stock Exchange plc and KBC Bank Ireland plc. Gary is a fellow of Chartered Accountants Ireland, the Institute of Directors in Ireland and the Institute of Banking. Gary is also a Certified Bank Director as designated by the Institute of Banking.

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

Giles Davies

Non-Executive Director

Age: 49 *Nationality:* British

Appointed to the Board: 28 April 2015

Committee Membership: Chairman of the Remuneration Committee and Member of the Audit and Risk Committee (since April 2015). Member of the Nomination Committee (since December 2016).

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. Giles went on to found Conservation Capital, a leading practice in the emerging field of conservation enterprise and related investment financing. Giles previously served as Non-Executive Chairman of Capital Management & Investment plc, and as a Non-Executive Director of Algeco Scotsman Group.

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

Andrew Bernhardt

Non-Executive Director

Age: 57 *Nationality:* British

Appointed to the Board: 28 April 2015

Committee Membership:
Member of the Audit and Risk Committee and Remuneration Committee (since April 2015).

Skills and experience:
Andrew had a 29-year career in commercial banking at Barclays Bank and GE Capital. He was heavily involved in supporting the growth of a number of well-known property companies (including Canary Wharf, Hammerson, Slough Estates and Howard de Walden Estates) during his time at Barclays. In 2007, he moved into investment banking with Straumur Investment Bank (now ALMC). On its successful restructuring in 2010, Andrew was appointed as CEO and remained in this role until 2013. Andrew subsequently served as a Non-Executive Director of ALMC from 2013 to 2017.

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

Corporate Governance Report

Introduction

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

On 26 July 2017, the Company's shares were admitted to trading on the Irish Stock Exchange (the "ISE"). The Company took a primary listing on the ISE's Main Securities Market and utilised the ISE's dual listing facility in addition to the Company's standard listing in London.

The provisions of the UK Corporate Governance Code (the "UK Code"), as issued by the Financial Reporting Council in April 2016, were therefore applicable to the financial year covered by this Report and are the standard together with the terms of the Irish Corporate Governance Annex published by the Irish Stock Exchange (together "the Codes") in respect of the Company's corporate governance practices. The Board believes that the Company has, throughout the accounting period, complied with all relevant provisions set out in the Codes.

The Company is incorporated in Ireland and is subject to Irish company law.

This section, including the Audit and Risk Committee Report and the Remuneration Committee Report, details how the Company has applied the principles of the Codes. The full text of the UK Code can be found on the Financial Reporting Council's website www.frc.org.uk. A copy of the Irish Corporate Governance Annex can be obtained from the ISE's website www.ise.ie.

Leadership

Role of the Board

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

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

- Approval of significant acquisitions or disposals;
- Approval of material contracts;
- Approval of interim and full year financial statements;
- Approval of annual budgets;
- Risk management; and
- Terms of Reference and membership of Board Committees.

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

The Board has delegated some of its responsibilities to standing committees of the Board as detailed on page 61.

Chairman and Chief Executive Officer

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

Senior Independent Director

Giles Davies is the Senior Independent Director. The role of the Senior Independent Director is mainly to:

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

Company Secretary

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

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.

Directors' Attendance at Board and Committee Meetings

The Board routinely meets eight times a year and additionally as required by time-critical business needs. The Board met on ten occasions during 2017.

A schedule of Board and Committee meetings and the Directors' attendance for the year ended 31 December 2017 is disclosed below:

	Board		Audit and Risk Committee		Remuneration Committee		Nomination Committee	
Director	Total	Attended	Total	Attended	Total	Attended	Total	Attended
J. Reynolds	10	10	-	-	-	-	2	2
M. Stanley	10	10	-	-	-	-	-	-
T. Kenny*	2	2	-	-	-	-	-	-
A. McIntosh	10	10	-	-	-	-	-	-
G. Davies	10	10	4	4	5	5	2	2
A. Bernhardt	10	10	4	4	5	5	-	-
G. Britton	10	10	4	4	5	5	2	2
E. O'Kennedy*	8	8	-	-	-	-	-	-

* Eamonn O'Kennedy resigned as a Director with effect from 22 August 2017 and Tim Kenny was co-opted as a Director on the same date.

Effectiveness

Board Composition and Independence

The Board comprises of four Non-Executive Directors (including the Chairman) and three Executive Directors and the biographies of these directors are set out on pages 56 and 57. The Board considers that the Chairman, John Reynolds, and the Non-Executive Directors, Andrew Bernhardt, Gary Britton and Giles Davies are independent. The composition of the Board will be reviewed on a regular basis with due regard for the benefits of diversity on the Board, including gender, to ensure the appropriate balance of skills is maintained. While all appointments to the Board will have due regard to diversity, they will be made on merit, ensuring that the skills, experience and traits noted by the Board as being of particular relevance at any time are present on the Board and included in any planned refreshment. Throughout 2017, and as at the date of this report, the Board comprised an appropriate mix of the necessary business skills, knowledge and experience required to provide leadership, control and oversight of the management of the business and to contribute to the development and advancement of business strategy.

Information and Support

All Directors are furnished with information necessary to assist them in the performance of their duties. Prior to all meetings taking place, an agenda and board papers are circulated to the Directors so that they are adequately prepared for the meetings. Directors also receive monthly management accounts. The Company Secretary is responsible for the procedural aspects of the Board meetings and all Directors have access to the Company Secretary for advice and assistance as necessary. Directors are, where appropriate, entitled to have access to independent professional advice at the expense of the Company. Members of the management team are frequently invited to attend Board and Committee meetings in order to help Directors gain a deeper understanding of the Group's operations.

Conflicts of Interest

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

Induction and Training

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

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

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

Directors' Terms of Appointment

The Executive Directors have service agreements with the Company which have notice periods of 12 months or less.

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

Under the Company's Constitution, one third of all Directors must retire by rotation at each Annual General Meeting and may seek re-election. However, in keeping with best corporate governance practice, the Board has decided that all Directors will seek annual re-election. Accordingly, all Directors seeking re-election will retire at the Annual General Meeting on 16 May 2018 and, being eligible, will offer themselves for re-election.

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

As announced on 24 April 2017, Tim Kenny was appointed as Group Finance Director, and co-opted as a Director of the Board with effect from 22 August 2017. Eamonn O'Kennedy resigned as a Director of the Board on the same date. Tim Kenny will offer himself for election as a Director by shareholders at the Annual General Meeting on 16 May 2018.

Board Performance Evaluation

The UK Code requires that the Board should undertake a formal and rigorous annual evaluation of its own performance and that of its Committees and individual Directors. The Board considered that a self-evaluation process was appropriate for the year under review. To facilitate this a Board Evaluation Questionnaire was completed by each Director for the year ended 31 December 2017. The questionnaire included the following areas:

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

The results confirmed that the Board continued to function effectively and operate to a high standard of governance.

The Board is committed to having its own performance and the performance of individual Directors externally evaluated at least every three years and an externally facilitated evaluation will be conducted in respect of the year ended 31 December 2018.

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

Succession Planning

The Board plans for succession with the assistance of the Nomination Committee.

Committees of the Board

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

Audit and Risk Committee

Membership: Gary Britton (Chair), Andrew Bernhardt and Giles Davies.

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

There were four meetings of the Committee during the year and attendance details of each of the members of the Committee are set out on page 59 of this report. The report of the Committee is set out on pages 65 to 68 of this report.

Nomination Committee

Membership: John Reynolds (Chair), Gary Britton and Giles Davies.

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

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

There were two meetings of the Committee during the year and attendance details of each of the members of the Committee are set out on page 59 of this report. The report of the Committee is set out on pages 69 and 70 of this report.

Remuneration Committee

Membership: Giles Davies (Chair), Andrew Bernhardt and Gary Britton.

The Remuneration Committee has responsibility for determining, within its agreed Terms of Reference, the Group's policy on the remuneration of senior executives and specific remuneration packages for the Executive Directors and the Non-Executive Chairman, including pension rights and compensation payments. It is also responsible for making recommendations for grants of awards under the Company's Long Term Incentive Plan (LTIP). The remuneration of the Non-Executive Directors is a matter for the Board. No Director may be involved in any discussions as to their own remuneration.

There were five meetings of the Committee during the year and attendance details of each of the members of the Committee are set out on page 59 of this report. The report of the Committee is set out on pages 71 to 84 of this report.

Accountability

Internal Control

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

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

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

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

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

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

Risk Management

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

The Board has carried out a robust assessment of the principal risks of the Group. The Board has considered, approved and maintains on an ongoing basis a Risk Register in which the risks pertaining to the Group are identified and assessed. The Board considers the appropriateness of risk mitigation measures and any gaps identified in such measures are addressed. The Risk Register is updated and reviewed by the Board and the Audit and Risk Committee at least annually or more frequently if specifically required. The Board has reviewed the effectiveness of the risk management systems and is satisfied that the Group's risk management function has the necessary authority, resources, expertise and access to relevant information to fulfil its role. Further information on the principal risks applicable to the Group is given on pages 38 to 41.

Financial Risk Management

The financial risk management objectives and policies of the Company are set out in Note 30 to the consolidated financial statements.

Health and Safety Policy

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

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

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

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

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

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

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

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

Remuneration

The Board has adopted remuneration policies that are considered sufficient to attract, retain and motivate Directors of the quality required to manage the Company successfully whilst ensuring that the performance related elements are both stretching and rigorously applied. Details of Directors' remuneration are set out in the Remuneration Committee Report on pages 71 to 84 and in Note 10 to the consolidated financial statements.

Relations with Shareholders

Communication with Shareholders

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

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

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

General Meetings

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

The Annual General Meeting of the Company is to be held at The Marker Hotel, Grand Canal Square, Docklands, Dublin 2, D02 CK38 at 11.00am on 16 May 2018. The 2017 Annual Report and Notice of the Annual General Meeting will be circulated at least 20 working days prior to the meeting and will be available to download from the Company's website. The Notice contains a description of the business to be transacted at the Annual General Meeting. The Chairman, Chief Executive Officer and other Directors will be available at the Annual General Meeting to answer shareholder questions.

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

Voting Rights

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

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

- altering the Objects of the Company;
- altering the Constitution of the Company; and
- approving a change of the Company's name.

Other

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

(a) periodic financial information such as annual and half yearly results;

(b) price-sensitive information, which might be a significant change in the Company's financial position or outlook, unless there is a reason not to disclose such information (e.g. prejudicing commercial negotiations);

(c) information regarding major developments in the Company's activities;

(d) information regarding dividend decisions;

(e) any changes to the Board, which must be announced immediately once a decision has been made, and

(f) information in relation to any significant changes notified to the Company of shares held by a substantial shareholder.

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

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

Audit and Risk Committee Report

Dear Shareholder,

This report describes how 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.

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.

Gary Britton
Committee Chairman

Membership

The Committee currently comprises three Non-Executive Directors:

- Gary Britton, Chairman;
- Giles Davies; and
- Andrew Bernhardt.

All members of the Committee are determined by the Board to be independent Non-Executive Directors in accordance with provision B.1.1 of the UK Corporate Governance Code. In accordance with the requirements of provision C.3.1 of the UK Corporate Governance Code, I am designated as the Committee member with recent and relevant financial experience. The biographical details on page 57 demonstrate that members of the Committee have a wide range of financial, commercial and business experience relevant to the sector in which the Group operates.

Key Duties of the Committee

- 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 accounts, 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, reappointment and remuneration of the External Auditor;
- overseeing the relationship between the Group and the External Auditor including the terms of engagement and scope of audit;
- reviewing the effectiveness of the Group's internal controls;
- reviewing the scope, resourcing, findings and effectiveness of the Internal Audit function;
- overseeing the effectiveness of the risk management procedures in place and the steps taken to mitigate the Group's risks; and
- reporting to the Board on how the Committee has discharged its responsibilities.

Meetings

The Committee met four times during the year and each meeting was attended by all Committee members as set out in the table on page 59.

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

Representatives of the External Auditor are also invited to attend certain Audit and Risk Committee meetings. The Committee also met privately with the External Auditor and representatives of the outsourced internal audit function without executive management present. Susan O'Connor, Company Secretary, is Secretary to the Committee.

The Chairman of the Committee reports to the Board on the work of the Audit and Risk Committee and on its findings and recommendations.

Key Areas of Activity During 2017

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

Financial Reporting

The Committee reviewed the draft financial statements and draft half-yearly results before recommending their approval to the Board. As part of this review, the Committee considered significant accounting policies, estimates and significant judgements. The Committee reviewed the Half Year and Final Results announcements. The Committee also reviewed the observations on internal control prepared by KPMG as part of the audit process. The significant issues in relation to the financial statements considered by the Committee and how these were addressed are set out on pages 67 and 68.

In accordance with the reporting requirements of the UK Code, the Audit and Risk Committee confirms to the Board that, in our view, the Annual Report, taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Risk Management and Internal Control

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

Internal Audit

There is an outsourced internal audit function. The Committee considered reports and updates from the internal audit function which summarised the work undertaken, findings, recommendations and management responses to audits conducted during the year. The Committee considered and approved the programme of work to be undertaken by the Group's internal audit function in 2017 and the planned programme of work for 2018. The Committee met representatives of the outsourced internal audit function on four occasions during the year where they presented internal audit report findings and recommendations and updated the Committee on the actions taken to implement recommendations.

External Auditor

The Committee reviewed the External Auditor's overall audit plan for the 2017 audit of the Group 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 Auditor.

In order to ensure the independence of the External Auditor, the Committee received confirmation from the 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 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 has approved a Policy on the engagement of the External Auditor to provide non-audit services. In considering any proposal for the provision of non-audit services by the External Auditor, the Committee will consider a number of matters including:

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

Under this Policy, the External Auditor will not be engaged for any non-audit services without the approval of the Audit and Risk 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. Fees for non-audit services in any financial year are targeted not to represent more than 40% of the audit fee.

An analysis of non-audit services provided by KPMG for 2017 is disclosed in Note 10 to the consolidated financial statements. The Committee has undertaken a review of non-audit services provided during 2017 and is satisfied that these services, which were limited in nature and related mainly to reporting accountant services for the Irish Stock Exchange listing, were efficiently provided by the External Auditor with the benefit of their knowledge of the business and did not prejudice their independence or objectivity.

Whistleblowing and Fraud

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

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

Anti-Bribery

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

Estimates and Judgements

The Committee reviewed in detail the key areas of significant judgement, complexity and estimation in connection with the Financial Statements for 2017 which are set out below. The Committee considered a report from the External Auditor on the audit work undertaken and conclusions reached as set out in their Independent Auditor's Report on pages 91 to 95. The Committee also had an in-depth discussion on these matters with management and the External Auditor.

Carrying Value of Inventories and Profit Recognition

The Group has continued to invest significant capital in development land during 2017 and the work in progress carrying values have also increased as the business continues to scale its construction activities. Consequently, the carrying value of inventories is a critical area in terms of judgement from a management and audit perspective.

The Group engaged in a detailed annual impairment test during 2017 to determine whether or not the investment in such development land and the related work in progress was impaired. The impairment exercise was conducted with input from the relevant stakeholders across the business and external input, where appropriate. The annual impairment test looks at all aspects of site performance on a site by site basis, in order to determine the net realisable value of the individual site. This involves assessing the number of units that can be achieved on each individual site, together with a full assessment of the likely sales prices of those individual units, which are then compared to a third-party sales agent assessment of the sales value of those units.

All costs associated with the development are assessed and updated on a regular basis as new information becomes available, based on actual experience. In the event that the net realisable value is lower than the cost of any particular site, the individual site would be considered impaired and it would be written down to its net realisable value. This process is reviewed by senior management and is also tested extensively as part of the annual audit process.

The annual impairment test did not show any evidence of impairment on a site by site basis.

The Group recognises its gross profit on each sale, based on the unit sold, by reference to the overall expected site margin. Cost forecasts and expected site margins are reviewed regularly for any indicators that may impact the reported profit.

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 for each of the various sites. There is a risk that one or all of the assumptions could be inaccurate, with a resulting impact on the carrying value of inventory or the amount of profit recognised. This risk is managed through ongoing site profitability reforecasting, with any necessary adjustments being accounted for in the relevant reporting period.

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

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

Gary Britton
Chairman of the Audit and Risk Committee

Nomination Committee Report

Dear Shareholder,

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

The Nomination Committee comprises of the Group Chairman and two Independent Non-Executive Directors. The members are John Reynolds (Chairman), Gary Britton and Giles Davies. There were two meetings of the Committee during the year and details of the members' attendance are set out on page 59.

John Reynolds
Committee Chairman

Our Role and Focus

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

The Nomination Committee drives focus on succession planning for the Company on behalf of the Board, taking into account the competitive landscape facing the Company and the capabilities that will be needed in the future to ensure the sustainable growth and scaling of the Group.

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

A particular focus of the Committee has been to ensure that there is a clear connection between its work and that of the Remuneration Committee – i.e. to ensure that succession planning and retention requirements are reflected in long term incentive considerations to ensure that we mitigate people risk across the Company and have robust succession plans in place to retain our best people and to sustain the Group's growth and performance.

Progress in 2017

Cairn is on a journey as a scaling business and so the Committee has prioritised three areas of focus:

(i) Governance to ensure effective general oversight;

(ii) Board composition to ensure that we have the right mix of capability and skills at Board level; and

(iii) Succession to ensure that we mitigate human capital risk for the Company.

The following is a summary of key activities in our focus areas;

Governance

- Reviewed and approved the Committee's annual agenda and Terms of Reference;
- Reviewed the Board concerning any actual or potential conflict of interests which may arise for any Board member; and
- Reviewed the Group's Diversity Policy.

Board Composition

- Reviewed the structure and size of the Board;
- Reviewed the skills, experience and capability of each Board member and of the Board as a whole against the needs of the Board; and
- Ensured that the time commitment required from the Chairman and Non-Executive Directors was appropriate to fulfil their roles.

Succession Planning

- Led the recruitment for a new Group Finance Director;
- Ensured that succession requirements were considered in the hiring of senior management (Corporate Development Director, Sales & Marketing Director and Head of Finance);
- Assessed the tenure and effectiveness of current Board members;
- Commenced the process to recruit a new Non-Executive Director; and
- Supported top talent assessment with the Chief Executive Officer to identify employees in the succession pipeline.

A key focus for the Committee was to ensure that Chief Executive Officer succession and senior management capability was supported. With the departure of Eamonn O'Kennedy, the Committee identified the skills and experience required to support the future development of the Group and initiated a search for a new Group Finance Director. The Committee developed a short list of potential appointees, taking into account, among other things, the particular skills and experience of each individual candidate and their fit with the existing Board. Following an extensive interview process, Tim Kenny was co-opted to the Board on 22 August 2017. The Committee further supported the Chief Executive Officer in his decision to strengthen the senior management team with the appointment of a Corporate Development Director, Sandra Thorpe, and Sales & Marketing Director, Ruchika Hassan.

A Non-Executive Director position arose with the departure of Aidan O'Hogan from the Board in December 2016. Careful consideration has been given to the capabilities and talent required to complement the existing Board. We are well-advanced in our search process to appoint a new Non-Executive Director and a further announcement will be made in due course.

During the year, the Board supported the Chief Executive Officer in his annual review of the Group's succession plans. This involves a review of the succession for Executive Directors and other senior management roles below Board level. The aim of this review is to identify suitable individuals who are capable of filling senior managerial positions on a medium and long-term basis, whilst ensuring their development needs are identified and addressed. As part of their development, senior managers are undergoing talent assessment and development coaching and will be invited to attend part of a Board meeting to present on their specialist area. This also enables the Board to assess the quality of internal talent and for the individual to get a greater understanding of the workings of the Board.

The Committee will continue to assess Board effectiveness and determine any remaining skills or board members required, with a particular focus on diversity over time to ensure that the Board remains effective in its decision making and ability to support Cairn's growth and scaling.

We will build on this early stage of progress in our focus areas of Governance, Board Composition and Succession and continue the process of embedding and improving upon them as a Committee over the coming years.

John Reynolds
Chairman, Nomination Committee

Remuneration Committee Report

Dear Shareholder,

As Chairman of the Remuneration Committee, I am pleased to present our Remuneration Report for the year ended 31 December 2017.

Our Remuneration Report is comprised of three parts: the Annual Statement, the Remuneration Policy and the Annual Report on Remuneration.

Giles Davies
Committee Chairman

The Remuneration Committee comprises three independent Non-Executive Directors. The members of the Remuneration Committee are Giles Davies (Chairman), Andrew Bernhardt and Gary Britton. Biographical details for the members of the Remuneration Committee are set out on page 57.

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

The Annual Report on Remuneration, as set out on pages 79 to 84, will therefore be put to a non-binding advisory vote by shareholders at the Annual General Meeting on 16 May 2018.

Overview

The Remuneration Committee considered carefully the performance outcomes of the Company on financial, operational scaling and quality metrics as context for Executive Remuneration decisions, which they believe fully justify payment of the bonuses outlined on page 81. An important principle for the Committee is that "standards rise" in terms of performance expectations annually and so whilst the team have performed exceptionally well, annual incentives are effectively decreased year over year as the "hurdle" for high performance continues to rise. Performance outcomes are further outlined below but at a summary level include;

- **Top-line growth;** Revenues increased to €149.5 million (2016: €40.9 million), including 418 unit sale completions at an average selling price of €315,000 per unit (2016: 105 unit sale completions at an average selling price of €295,000 per unit);
- **Margin progression;** Continued progression in gross profit to €27.1 million and gross profit margin to 18.2% (2016: €7.1 million and 17.3%);
- **Bottom line delivery;** Operating profit (before exceptional items) increased to €15.0 million (2016: €3.6 million) and the Group made a profit after tax of €5.0 million (2016: loss of €2.1 million);
- **Continuing to maturity;** Active on eleven developments, up from five developments at the end of 2016, which will deliver in excess of 3,650 new homes; and

- **Strategic acquisitions;** 2017 acquisitions, including the unique Montrose site in Dublin 4, were targeted towards specific central city apartment sites which add to the overall mix and quality of the land bank and improved the distribution of units across the spectrum of locations and price points.

Key Decisions during 2017

The Committee considered appropriate methods to retain key talent below Board level and decided to make an award under the Company's Long Term Incentive Plan (LTIP) to a number of employees, to secure retention and continued alignment of critical employees with shareholder interests.

The Committee increased the pension contributions to Michael Stanley, Chief Executive Officer, from 10% of salary to 25% of salary, effective 25 January 2018, in line with the limits of pension contribution that can be paid to Executive Directors which were approved by shareholders under the Remuneration Policy last year. This change has been made to rebalance the pay structure for the Chief Executive Officer in line with market practice.

Eamonn O'Kennedy stepped down as Group Finance Director in August 2017 and was replaced by Tim Kenny. Eamonn's remuneration arrangements for 2017 are in line with his contractual entitlements and consistent with the approved Remuneration Policy in this report. The Committee has determined that 'good leaver status' should apply to Eamonn's outstanding share option awards and as such they vest on their natural vesting date, with no other beneficial treatment. The Committee considered a number of factors in determining this position which included Eamonn's considerable contribution to the early growth of the Company and the fact that a large proportion of the award would have naturally vested by the end of his notice period.

The pay structure for the new Group Finance Director is based on the pay components included in the Remuneration Policy and is disclosed in more detail on pages 81 and 82 of this report.

The Committee reviewed and considered Executive remuneration against independent market benchmarks from its remuneration consultants in its decision not to increase Executive salaries or bonus opportunities and to continue to focus on total compensation weighted towards the long-term.

Reporting

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

External Advice

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

As a growing and scaling business, the Committee is aware of the importance of aligning performance measures not only to shareholder interests but also to driving the right performance for long-term growth. As these measures are considered over time, the Committee remains committed to consulting with shareholders to ensure that their views are reflected in our decisions.

Giles Davies
Chairman, Remuneration Committee

Remuneration Policy

The Cairn Homes Remuneration Policy ("the Policy") is set out on pages 74 to 77. This Policy was approved by shareholders at the 2017 Annual General Meeting with 99.5% of shareholders voting in favour of the resolution. As Cairn Homes plc is an Irish incorporated company, the resolution was subject to an advisory rather than binding vote.

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

The basic objective under the Policy is to have overall remuneration reflect business performance and personal contribution, while having basic salary rates and the short-term element of incentive payments positioned at the median of an appropriate comparator group. In line with shareholder preferences, the pay mix for Executives is weighted towards performance related pay over the long term.

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

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

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

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

The key elements of the remuneration for Executive Directors and other Executives under the Policy are set out in the table on pages 74 and 75.

Element and link to Remuneration Policy	Approach	Maximum Opportunity
Salary		
Attract and retain skilled and experienced Executives.	Annual salaries are reviewed annually. The factors taken into account in the review include: • Role and experience; • Company performance; • Personal performance; • Competitive market practice; and • Benchmarking against an appropriate comparator group. When setting salaries, account is taken of movements in salaries generally across the Company.	The target position for salaries will be generally market median. Any annual salary increases will be considered in that context.
Annual Incentives		
Reward the achievement of annual performance targets.	Annual Incentive payments to Executive Directors and other Executives are based on (a) meeting the Company's financial objectives and (b) the overall contribution and attainment of personal objectives. The contribution and personal targets are focused on areas such as delivery on strategy, organisational development, risk management and talent development/succession planning. The measures, their weighting and the objectives are reviewed on an annual basis. The Committee can apply appropriate discretion in specific circumstances in respect of determining the incentive payment to be awarded. A formal clawback policy is in place for the Executive Directors (and other Executives), under which Annual Incentive payments are subject to clawback for a period of three years in the event of a material restatement of financial statements or other specified events. Further details on the clawback policy are set out on page 76.	The target and maximum awards, as a percentage of annual salary, for the Executive Directors are as follows: Target / Max. Chief Executive Officer: 70% / 105% Other Executive Directors: 50% / 75%

Element and link to Remuneration Policy	Approach	Maximum Opportunity
Cairn Homes plc Long-Term Incentive Plan ('LTIP')		
Align the interests of Executive Directors and Executives with those of the Company's shareholders and reflect the Company's policy of long term performance-based incentivisation.	The LTIP provides for annual awards of Performance Shares. It is the Committee's intention that the primary long-term incentive vehicle will be made through regular awards of Performance Shares. Holders of Founder Shares will be excluded from participation in the LTIP for the duration of the performance period relating to their Founder Shares. Performance Share awards vest based on 3-year financial performance, with measures including cumulative EPS and Total Shareholder Return. The Committee will consider the appropriate measures and targets for each subsequent cycle depending on strategic priorities. Performance Shares will vest after 3 years, with awards made to the Executive Directors and other senior Executives subject also to an additional two-year holding period after vesting. A formal clawback policy is in place for the Executive Directors (and other Executives), under which LTIP awards are subject to clawback for a period of three years from the vesting date in the event of a material restatement of financial statements or other specified events. Further details on the clawback policy are set out on page 76.	Annual awards of Performance Shares of up to 100% of salary can be made. In exceptional circumstances, such as recruitment, awards of up to 200% of salary can be made. The actual grant size will be dependent on individual performance and potential. No more than 5% of the issued ordinary share capital may be issued or reserved for issuance under the LTIP over any ten year period.
Retirement Benefits		
Reward sustained contribution.	Executive Directors and Executives participate in a defined contribution pension scheme or receive cash in lieu of a pension. The pension scheme gives the Company full discretion to pay appropriate contribution levels. The Committee takes account of market and benchmarking data for pension contributions for each employee group.	For the Executive Directors the pension contribution is set at a maximum of 25% of salary.
Allowances		
Provide market competitive benefits.	The main benefit is a car allowance. The Committee reviews market and benchmarking data in relation to allowances.	Maximum levels have not been set as payments depend on the individual Executive's circumstances.

Clawback Policy

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

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

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

Share Ownership Guidelines

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

Remuneration Policy for Recruitment of New Executives

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

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

Remuneration Policy for Other Employees

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

Consultation with Shareholders

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

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

Policy for "Leavers"

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

Salary and Benefits

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

Annual Incentive

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

LTIP

The Committee would normally exercise its discretion when dealing with a participant who ceases to be an employee by reason of certain exceptional circumstances e.g. death, injury or disability, redundancy, retirement or any other exceptional circumstances. In such circumstances, any shares that have not already vested on the participant's cessation date would be eligible for vesting on the normal 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 the event that a participant ceases to be an employee due to resignation or by reason of a termination for serious misconduct, share awards held by the participant, whether or not vested, would lapse immediately on the service of notice of such termination, unless the Committee in its sole discretion determines otherwise.

Policy for Non-Executive Directors

Element and link to strategy	Operation	Maximum Opportunity
Fees		
The fees paid to Non-Executive Directors reflect their experience, 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 of the Board, the Chairs of the Audit and Risk Committee and Remuneration 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.

Our Role

The Remuneration 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:

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

The Committee follows an annual programme of work to execute against these responsibilities which for 2017 were;

Executive Remuneration

- Reviewed annual performance of the Executive Directors;
- Determined fixed and variable remuneration for Executive Directors and senior management; and
- Determined the remuneration package for the new Group Finance Director.

Governance

- Reviewed and made progress against the remuneration strategy agreed in line with the Remuneration Policy for key employees;
- Worked with the Committee's remuneration consultants to ensure rigour of Committee analysis and decision;
- Considered and approved the Remuneration Report and remuneration disclosure requirements; and
- Reviewed and approved the Committee's annual agenda and Terms of Reference.

Long Term Incentives

- Set LTIP targets following consultation with shareholders; and
- Ensured LTIP awards linked to succession planning.

Shareholder Consultation

- Implemented the Remuneration Policy and approved LTIP awards following previous consultation with shareholders.

The Committee met five times during the year ended 31 December 2017. The main agenda items included (i) determining the annual incentives payable for 2017, (ii) overseeing the remuneration policy implementation, (iii) approving the grant of LTIP share awards, (iv) setting LTIP performance targets, (v) reviewing remuneration trends and market practice, (vi) approving the remuneration packages of Executive Directors and other Executives, (vii) reviewing pension matters, and (viii) approving the 2016 Remuneration Report.

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

Reporting

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

External Advice

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

As a growing and scaling business, the Committee is aware of the importance of aligning performance measures not only to shareholder interests but also to driving the right performance for long term growth. As these measures are considered over time, the Committee remains committed to consulting with shareholders to ensure that their views are reflected in our decisions.

Non-Executive Directors Letters of Appointment

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

Policy on External Board Appointments

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

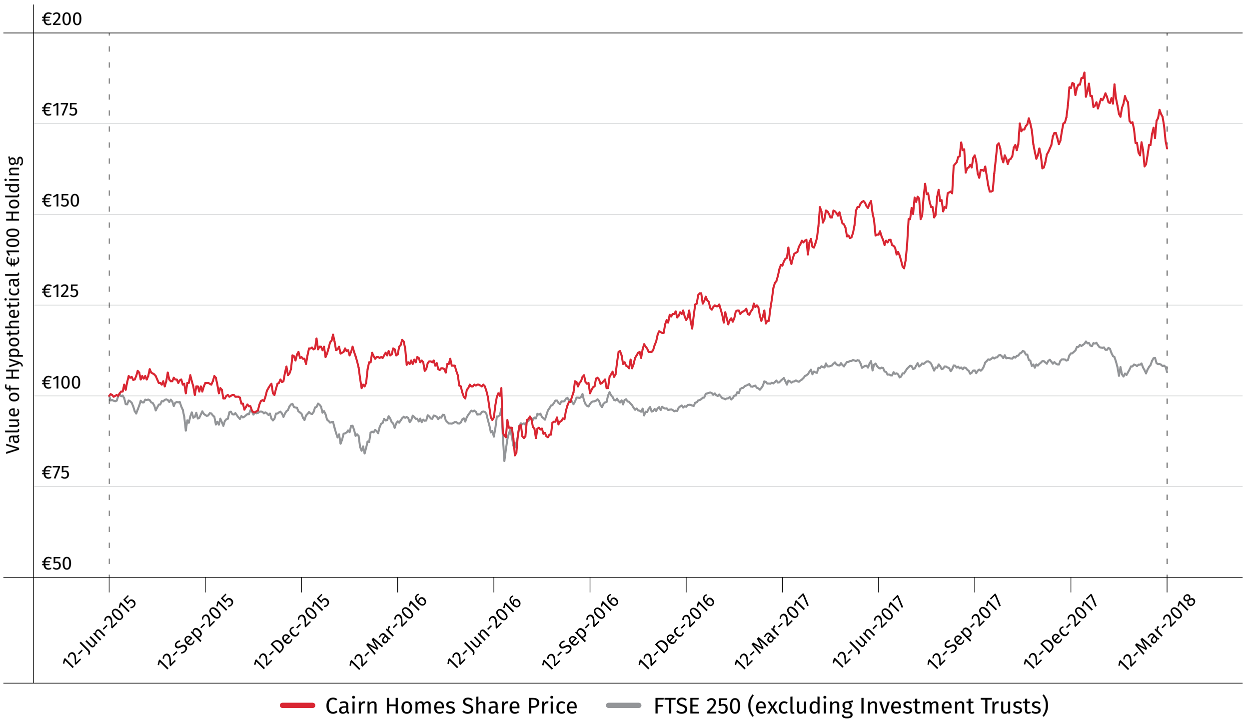
The Board recognises the benefits that such appointments can bring both to the Company and to the Executive Director in terms of broadening their knowledge and experience.

Annual Report on Remuneration

This section of the Remuneration Report sets out the basis of how Cairn Homes Remuneration Policy was operated for the year ended 31 December 2017 and how it will be operated in 2018.

Total Shareholder Return Performance

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



Performance in 2017

The Committee reviewed the performance of the Executive Directors and other Executives for 2017. In conducting this review the Committee considered the progress made during the year and in particular:

Financial Highlights

Revenue: €149.5 million
(2016: €40.9 million)

418 completions (ASP – €315k) up from 105 completions (ASP – €295k) in 2016.

Gross Profit: €27.1 million
(2016: €7.1 million)

Gross margin 18.2% (2016: 17.3%).

Operating Profit*: €15.0 million
(2016: €3.6 million)

* Pre-exceptional items of €0.5 million (2016: €1.4 million).

Inventories: €911 million
(2016: €727 million)

34 individual sites containing c. 14,100 residential units.

€807 million development land.

€104 million construction work in progress.

Forward Sales: 383 units

Forward sales pipeline of 383 units (sales value €143.2 million) at an ASP of €374k as at 5 March 2018, with an expected gross margin of 19%.

Four additional sales launches in H1 2018.

Revenue Outlook

Forecast total revenue in excess of €350 million (including c. 800+ unit sale completions) and a gross profit margin of c. 20% in 2018.

Medium-term run-rate to deliver total revenue of c. €500 million from between 1,300 and 1,400 sales completions annually from 2020 (IPO target was 1,000 unit sales completions).

Operational Highlights

Land Acquisitions

Cairn's well located land bank has been acquired at a cost of 16% of estimated Net Development Value (excl. House Price Inflation), comfortably ahead of initial public offering target of 20%.

2017 acquisitions were targeted towards specific central Dublin apartment sites.

Enhancing Value in Unique Land Bank

1,997 units granted planning permission since the start of 2017.

c. 1,900 incremental units granted planning permission or expected to be gained on existing sites through increased densities.

Six Hanover Quay

Due to the significant demand from international capital, commenced a formal sales process to sell the entire development.

Construction well advanced with an expected transaction close date at the start of 2019, assuming a successful sales process.

Shares Dual Listed

Primary listing on the Irish Stock Exchange on 26 July 2017.

Added to FTSE Global Small Cap Index in Q3 2017 and the ISEQ-20 Index in Q4 2017.

Customer – Product

Business has been aligned operationally to manage the three elements of our construction activities – housing, apartments and student apartments – more efficiently.

Cairn today has a highly experienced and committed team of people to deliver our vision of building great homes and great places where our customers will love to live.

11 Active Sites 8 Selling Sites

Active on 11 developments (5 at the end of 2016), which will deliver in excess of 3,650 new homes.

3 new site commencements planned for 2018.

Scale of land bank and planning maturity presents numerous site commencement options going forward.

The Committee considered how the Executive Directors and former Group Finance Director had performed against the Company's objectives and how each of them had contributed to the overall performance of the Company and the attainment of personal objectives. As a result, annual incentive payments earned by the Executive Directors in respect of the year ended 31 December 2017 range from 45% to 75% of salary. Further detail in relation to the Executive Directors' remuneration is set out on page 82.

Salary

The salaries of the Executive Directors for 2018 are set out below. Salaries are unchanged from 2016 and 2017. It is the Committee's intention to review the Executive Director salaries annually but not necessarily to revise them; any increase will likely coincide with the Company achieving critical scale in the market. Consequently, it is likely that salaries will be increased only infrequently, but with such increase if appropriate above the typical annual increase observed at other comparable companies.

	From 1 January 2018 €
Michael Stanley	425,000
Alan McIntosh	325,000
Tim Kenny (appointed to the Board 22 August 2017)	380,000

Annual Incentive

The annual incentive targets for the Executive Directors and the previous Group Finance Director for 2017 were as follows and are further outlined in the Remuneration Outcomes table on page 82:

	Target Incentive (% of salary)	Maximum Incentive (% of salary)	Actual 2017 Bonus (% of salary)
Michael Stanley	70%	105%	75%
Alan McIntosh	50%	75%	50%
Tim Kenny*	50%	75%	45%
Eamonn O'Kennedy**	50%	75%	58%

* Paid on a pro-rata basis for time in employment in 2017
** Paid for performance in line with contract for 2017

The annual incentive for 2017 and 2018 is based 70% on financial performance (primarily EPS) and 30% on the achievement of individual performance objectives (linked to leadership and operational targets).

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

Retirement Benefits

In 2017, the Executive Directors participated in the Defined Contribution Pension Scheme or received a cash supplement in lieu of pension, consistent with the Remuneration Policy, and with the values as detailed on page 82. With effect from 25 January 2018, the Chief Executive Officer's pension contribution has been increased from 10% to 25% of salary in line with market practice and as supported by independent market benchmarking.

Long Term Incentives

The purpose of the LTIP is to align the interests of Executive Directors and other eligible Executives with shareholder interests, and to reinforce exceptional performance. LTIP awards are subject to performance targets set over a 3 year period, with an additional 2 year holding period for Executive Directors and other senior Executives.

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

The Committee intends to make an annual grant of awards under the LTIP in 2018 to key talent in line with the plan rules and Remuneration Policy. The Committee will set the performance targets at a level which it considers to be stretching but achievable and reinforces performance which is consistent with our key strategic objectives. The performance orientation of the grant policy will ensure that the LTIP is focused appropriately on those who can make the most impact, regardless of their seniority, to ensure succession and continued performance of the business.

Those Executives who already hold Founder Shares will not receive an award under the LTIP for the duration of the performance period relating to their Founder Shares. This includes the Chief Executive Officer, Michael Stanley; Executive Director, Alan McIntosh; and CCO/Managing Director – PBSA, Kevin Stanley. Therefore, the only Executive Directors who can participate in the LTIP are Tim Kenny, Group Finance Director and any other future Executive Directors.

The following award under the LTIP was made to Tim Kenny in 2017:

	Number of Shares	Performance Period
Tim Kenny	431,818*	2017 – 2019

* The face value of the award was based on the share price at the date of award and was equivalent to 200% of base salary, in line with the shareholder approved Remuneration Policy (see page 75).

Remuneration Outcomes for the year ended 31 December 2017

The table below sets out the details of the remuneration payable to the Executive Directors for the year ended 31 December 2017, with comparatives for the prior year ended 31 December 2016:

	Salary		Annual Incentive		Retirement Benefit		Car Allowance		Total	
	2017 €'000	2016 €'000	2017 €'000	2016 €'000	2017 €'000	2016 €'000	2017 €'000	2016 €'000	2017 €'000	2016 €'000
Michael Stanley	425	425	319	446	43	43	10	10	797	924
Alan McIntosh	325	325	163	244	27	27	10	10	525	606
Eamonn O'Kennedy	375	250	219	187	35	25	14	10	643	472
Tim Kenny	140	-	63	-	35	-	4	-	242	-
Total	**1,265**	**1,000**	**764**	**877**	**140**	**95**	**38**	**30**	**2,207**	**2,002**

Notes:

1 The table above does not include 32,882,498 ordinary shares (2016: 12,768,646 ordinary shares) which were issued to Michael Stanley and Alan McIntosh during 2017 through the conversion of Founder Shares in their capacity as holders of Founder Shares.

2 Eamonn O'Kennedy's remuneration was paid until November 2017 and includes his six month notice period per his contract of employment.

4 Alan McIntosh and Tim Kenny received their retirement benefits as cash in lieu of pension contributions.

5. Tim Kenny's remuneration for 2017 is on a pro rata basis from the date of his appointment.

Non-Executive Directors' Remuneration Details

The Committee reviewed independent benchmarking for Non-Executive Director fees from Mercer, its remuneration consultants, which indicated that the fee for the Chairman role was below the lower quartile of the market for similar companies and that the Non-Executive Director fees were below the median for similar companies in the market. Reflecting the growing scale of the Company and the increasingly demanding role required of the Non-Executive Directors, the Chairman and Non-Executive Directors fees were adjusted during 2017 to be appropriately positioned against the market as set out below. Effective 1 July 2017, the Chairman receives a fee of €150,000 per annum and the Non-Executive Directors are paid a basic fee of €60,000 per annum, with additional fees payable to the Chairman of the Audit and Risk Committee of €15,000 per annum and the Chairman of the Remuneration Committee of €12,000 per annum. A fee is paid to the Senior Independent Director of €10,000 per annum.

The fees paid to Non-Executive Directors in respect of the year ended 31 December 2017 and the year ended 31 December 2016 are set out below:

	Basic Fee		Additional Fee		Total Fees	
	2017 €'000	2016 €'000	2017 €'000	2016 €'000	2017 €'000	2016 €'000
Non- Executive Directors						
John Reynolds (Chairman)	125	100	-	-	125	100
Andrew Bernhardt	55	50	-	-	55	50
Gary Britton (Chairman of Audit and Risk Committee)	55	50	15	15	70	65
Giles Davies (Chairman of the Remuneration Committee) (Senior Independent Director)	55	50	16	10	71	60
Aidan O'Hogan[1]	-	50	-	-	-	50
Total	**290**	**300**	**31**	**25**	**321**	**325**

1 Aidan O'Hogan resigned with effect from 13 December 2016.

Directors' and Company Secretary's Interests

The interests of the Directors and Company Secretary who held office at 31 December 2017 in the issued ordinary share capital of the Company are set out in the table below. The interests disclosed below include both direct and indirect interests in shares.

	No. of Ordinary Shares at 31 December 2017	No. of Ordinary Shares at 31 December 2016
Directors		
Michael Stanley	16,168,691	8,364,546
Alan McIntosh	36,086,153	24,439,582
Tim Kenny	-	-
Gary Britton	80,000	50,000
Giles Davies	50,000	50,000
John Reynolds	-	-
Andrew Bernhardt	-	-
Susan O'Connor (Company Secretary)	-	-
Total	**52,384,844**	**32,904,128**

All of the above interests were beneficially owned. Tim Kenny was granted 431,818 LTIP awards in 2017. Apart from the interests disclosed above and the Founder Shares and Deferred Shares held by the Founder Directors – see table below, the Directors and the Company Secretary had no other interests in the share capital of the Company or any other Group undertaking at 31 December 2017.

There were no changes in the above Directors' and Secretary's interests between 31 December 2017 and 3 April 2018.

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

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

Additional Interests of Founder Shareholders who are Founder Directors

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

	No. of Deferred Shares at 31 December 2017	No. of Founder Shares at 31 December 2017	No. of Deferred Shares at 31 December 2016	No. of Founder Shares at 31 December 2016
Founder Directors				
Michael Stanley	9,990,000	16,202,470	9,990,000	29,742,322
Alan McIntosh	9,990,000	23,146,386	9,990,000	42,489,032
Total	**19,980,000**	**39,348,856**	**19,980,000**	**72,231,354**

The total number of Founder Shares in issue at 31 December 2017 is 46,292,771 (84,978,063 at 31 December 2016).

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 in each of the years 2017 to 2022). The performance condition is that for a period of 15 or more consecutive business days during the relevant test period, the closing price exceeds such price as is derived by increasing the adjusted issue price by 12.5% for each test period, starting with the first in 2016 and ending with the last in 2022, such increase to be on a compound basis.

In calculating whether the performance condition is satisfied during any test period, any dividends, returns of capital or distributions declared in the 12 months ending at the end of the relevant test period are added to the closing price.

If the performance condition is satisfied, the Company may elect within 20 business days of the date on which the satisfaction of the performance condition was notified to the holders of Founder Shares, to convert Founder Shares into such number of ordinary shares which, at the highest average closing price of an ordinary share during the test period, have an aggregate value equal to the Founder Share Value. The Founder Share Value shall be calculated as 20% of the Total Shareholder Return in the periods described below.

The Total Shareholder Return is calculated as the sum of the increase in market capitalisation, plus dividends, returns of capital or distributions in each case in the relevant period, being (i) the first time the performance condition is satisfied, the period from the 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 Total Shareholder Return rebases to a "high watermark" equal to the market capitalisation used to calculate the most recent conversion or redemption of Founder Shares, so that the holders of Founders Shares only receive 20% of the incremental increase in Total Shareholder Return 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 Total Shareholder Return, not just that element of Total Shareholder Return 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.

On 18 August 2017, the Company issued 38,685,292 ordinary shares (through the conversion of 38,685,292 Founder Shares) to the Founder Group of Michael Stanley, Alan McIntosh and Kevin Stanley. All shares issued in respect of the conversion of Founder Shares are subject to a one year lock-up period, with 50% of the shares remaining subject to a further one year lock-up period thereafter.

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

Directors' Report

The Directors present their report to the shareholders together with the audited financial statements for the year ended 31 December 2017.

Principal Activities and Business Review

Cairn Homes plc is one of Ireland's leading homebuilders, constructing high-quality new homes with an emphasis on design, innovation and customer service. At 31 December 2017, 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 Group Finance Director's Review which contain a review of operations and the financial performance of the Group for 2017, the outlook for 2018 and the key performance indicators used to assess the performance of the Group. These are deemed to be incorporated into the Directors' Report.

Results for the Year

The consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017 and the consolidated statement of financial position at that date are set out on pages 96 and 97 respectively. The Group's profit for the year ended 31 December 2017 was €5.0 million (2016: loss of €2.1 million).

Dividends

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

Outlook

A review of future developments of the business is included in the Chairman's Statement, the Chief Executive Officer's Statement and the Group Finance Director's Review.

Board of Directors

The names of the Directors and a biographical note on each appear on pages 56 and 57.

Andrew Donagher resigned as Company Secretary on 20 February 2017 and Susan O'Connor was appointed as Company Secretary on the same date. Eamonn O'Kennedy (former Group Finance Director) resigned as a Director on 22 August 2017. Tim Kenny was appointed as Group Finance Director on the same date.

In accordance with the provisions contained in the UK Code, all Directors retired at the Annual General Meeting of the Company on 17 May 2017 and, being eligible, offered themselves for re-election, and all were re-elected to the Board on the same day.

Any Director appointed to the Board by the Directors will be subject to election by the shareholders at the first Annual General Meeting held following his/her appointment. Furthermore, under the Company's Constitution, one third of all Directors must retire by rotation at each Annual General Meeting and may seek re-election. However, in accordance with the provisions of the UK Code, the Board has decided that all Directors seeking re-election should retire at the 2018 Annual General Meeting and offer themselves for re-election.

Directors' and Company Secretary's interests

Details of the Directors' and Company Secretary's interests in shares and in unvested share awards of the Company are set out in the Remuneration Committee Report on page 83.

Share Dealing

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

Share Capital

The Company has four authorised classes of shares: Ordinary Shares; A Ordinary Shares; Founder Shares and Deferred Shares. As at 31 December 2017 and 3 April 2018, the Company had 761,672,549 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 46,292,771 Founder Shares and 19,980,000 Deferred Shares in issue at the same date.

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

Share Class	% of total issued share capital
Ordinary Shares	92.0
Founder Shares	5.6
Deferred Shares	2.4

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

The Company has a Long-Term Incentive Plan in place, the details of which are set out in the Remuneration Committee Report and in Note 19 to the consolidated financial statements.

Substantial Shareholdings

As at 31 December 2017 and 29 March 2018 (the latest practicable date before approval of this Annual Report), the Company had been notified of the following details of interests of 3% or more in the ordinary share capital of the Company:

	Notified holding 31 December 2017	%	Notified holding 29 March 2018	%
Fidelity Investments Limited	65,503,839	8.60	65,635,101	8.62
Bank of Montreal	31,380,909	4.12	46,601,448	6.12
The Capital Group Companies, Inc.	31,914,080	4.19	45,911,000	6.03
BlackRock Inc	50,575,057	6.64	44,669,388	5.86
Fidelity Management & Research Company	44,710,179	5.87	43,094,527	5.66
Lansdowne Partners International Ltd	45,237,886	5.94	42,237,886	5.55
Kames Capital plc	30,971,822	4.07	38,089,244	5.00
Emerald Everleigh Limited Partnership*	36,086,153	4.74	36,086,153	4.74
Coltrane Master Fund, L.P.	37,474,289	4.92	31,367,365	4.12
J O Hambro Capital Management Limited	26,721,051	3.51	26,721,051	3.51
Henderson Group plc	24,252,393	3.18	24,252,393	3.18
Oppenheimer Funds Inc	23,197,940	3.05	23,197,940	3.05
Wellington Management Group LLP	30,466,902	4.00	22,481,600	2.95

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

Except as disclosed above, the Company has not been notified at 29 March 2018 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.

Principal Risks and Uncertainties

Under Irish company law, the Company is required to give a description of the principal risks and uncertainties which it faces. These principal risks and uncertainties are set out on pages 38 to 41 and are deemed to be incorporated into the Directors' Report.

The Group's exposure to financial risk is further described in Note 30 to the consolidated financial statements.

Accounting Records

The Directors are responsible for ensuring that adequate accounting records are maintained by the Company as required by Sections 281-285 of the Companies Act, 2014. The Directors believe that they have complied with this requirement through the employment of suitably qualified accounting personnel and the maintenance of appropriate accounting systems. The accounting records of the Company are maintained at 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 page 85, substantial shareholdings on page 86, and the disclosures on Directors' remuneration and interests in the Remuneration Committee Report on pages 71 to 84 are deemed to be incorporated into 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 Company, the following sections of this Annual Report shall be treated as forming part of this report:

1. The Chairman's Statement on pages 18 to 21, the Chief Executive Officer's Statement on pages 22 to 27 and the Group Finance Director's Review on pages 48 and 49.
2. The Corporate Governance Report on pages 58 to 64.
3. The Principal Risks and Uncertainties on pages 38 to 41.
4. Details of Earnings Per Share in Note 27 to the consolidated financial statements.
5. Details of the Capital Structure of the Company in Note 18 to the consolidated financial statements.

Corporate Governance Regulations

As required by company law, the Directors have prepared a Corporate Governance Report which is set out on pages 58 to 64 and which, for the purposes of Section 1373 of the Companies Act 2014, is deemed to be incorporated into this part of the Directors' Report. Details of the capital structure and employee share schemes are included in Notes 18 and 19 to the consolidated financial statements respectively.

Subsidiaries

Information on the Group's subsidiaries is set out in Note 26 to the consolidated financial statements.

Going Concern

The Group's activities, strategy and performance are explained in the Chief Executive Officer's Statement on pages 22 to 27 and the Group Finance Director's Review on pages 48 and 49 of this Report. Further detail on the financial performance and financial position of the Group is provided in the financial statements. In addition, principal risks and uncertainties affecting the Group, and the steps taken to mitigate these risks are described in the Risk Management section of the Strategic Report on pages 38 to 41. Having assessed the relevant business risks, the Directors have a reasonable expectation that the Company, and the Group as a whole, have adequate resources to continue in operational existence for the foreseeable future. The Directors have therefore continued to adopt the going concern basis of preparation for the financial statements.

Viability Statement

In accordance with the UK Code provision C.2.2, the Directors have assessed the prospects of the business and its ability to meet its liabilities as they fall due over the medium term. The Directors have concluded that three years is an appropriate period for assessment as the Group progresses towards being significantly cash flow generative by 2020, through a substantial and controlled investment in work in progress and continued growth in sales and profit over the period.

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

Directors' Compliance Statement

The Directors, in accordance with Section 225(2) of the Companies Act 2014, acknowledge that they are responsible for securing the Company's compliance with certain obligations specified in that section arising from the Companies Act 2014, 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 Company's policies that in their opinion are appropriate with regard to such compliance;
- appropriate arrangements and structures have been put in place that, in their opinion, are designed to provide reasonable assurance of compliance in all material respects with those relevant obligations; and
- a review has been conducted, during the financial year, of those arrangements and structures.

Political Contributions

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

Subsequent Events

Information in respect of events since the year end is contained in Note 34 to the consolidated financial statements.

Audit and Risk Committee

The Group has an established Audit and Risk Committee comprising of three independent Non-Executive Directors. Details of the Committee and its activities are set out on pages 65 to 68.

External Auditor

In accordance with Section 383(2) of the Companies Act 2014, the External Auditor KPMG, will continue in office and a resolution authorising the Directors to fix their remuneration will be proposed at the forthcoming 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
- 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 3 April 2018.

Signed on behalf of the Board

John Reynolds.

John Reynolds
Chairman

Michael Stanley
Director

3 April 2018

Consolidated Financial Statements

For the year ended 31 December 2017

Statement of Directors' Responsibilities

in respect of the Annual Report and the Financial Statements

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

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

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and Company and of the profit or loss of the Group for that year. In preparing each of the consolidated and company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS as adopted by the European Union, and as regards the Company, as applied in accordance with the Companies Act 2014; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Company, and which enable them to ensure that the financial statements of the Company comply with the provisions of the Companies Acts 2014. The Directors are also responsible for taking all reasonable steps to ensure such records are kept by the Company's subsidiaries which enable them to ensure that the financial statements of the Group comply with the provisions of the Companies Act 2014. They are also responsible for safeguarding the assets of the Company and the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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 56 and 57 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 2017 and of the profit of the Group for the year then ended;
- the Directors' Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, provides the information necessary to assess the Group's position and performance, business model and strategy and is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the Board

John Reynolds.

John Reynolds,
Chairman

Michael Stanley,
Director

3 April 2018

Independent Auditor's Report

to the members of Cairn Homes plc

1. Opinion: our opinion is unmodified

We have audited the financial statements of Cairn Homes plc for the year ended 31 December 2017 which comprise the consolidated statement of profit or loss and other comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated and company statements of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and International Financial Reporting Standards (IFRS) as adopted by the European Union, and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2014.

In our opinion:

- the consolidated financial statements give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2017 and of its profit for the year then ended;
- the company statement of financial position gives a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2017;
- the 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 three years ended 31 December 2017. 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 listed public interest entities. No non-audit services prohibited by that standard were provided.

2. Key audit matters: our assessment of risks of material misstatement

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

In arriving at our audit opinion above, the key audit matters were as follows:

Carrying values of inventories €911.5 million (2016: €727.2 million) and profit recognition

Refer to pages 67 and 68 (Audit and Risk Committee Report), page 106 (accounting policy for inventories) and Note 15 to the consolidated financial statements (financial disclosures – inventories).

The key audit matter

Inventories represents 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, site planning (including planning consent), build costs and other direct cost recoveries, all of which contain an element of judgement and uncertainty.

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

How the matter was addressed in our audit

Our audit procedures included, among others:

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

b) We examined management's detailed year-end assessments of the net realisable value of development sites. These calculations were primarily based on residual value calculations whereby the estimated total costs of the development were deducted from total forecast sales proceeds. We challenged the key inputs and assumptions in the following ways, among others:
   - We examined forecast residential unit sales prices for consistency with estimates supplied from independent property consultants.
   - We agreed a sample of forecast costs to supplier agreements or tenders and, for sites not yet in development, considered the consistency of estimates for the major cost categories with the estimates for sites in development.
   - We evaluated the assumptions in relation to forecast numbers of units to be constructed based on appropriate documentary support.
   - We considered wider market evidence relating to land prices in Ireland and the current demand for housing.

c) For sites in development, we compared actual revenues and costs to estimates to ensure that net realisable values were updated and that the overall expected sales margin was adjusted accordingly. We evaluated the sensitivity of margins on these sites to changes in sales prices and costs and considered whether this indicated a risk of impairment of the inventory balance.

d) For completed sales in the year, we tested the accuracy of the release from inventory to cost of sales recorded in the general ledger for consistency with the financial cost models for the relevant sites.

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

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

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

Our findings

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

Our audit procedures on the key assumptions underpinning the year-end assessments of the net realisable value of development sites, and the related sensitivity analysis, did not identify any impairment issues which caused us to disagree with the Group's conclusion that inventories are stated at the lower of cost and net realisable value.

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

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

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

The materiality for the consolidated financial statements as a whole was set at €2.5 million (2016: €4.1 million). This has been calculated with reference to a benchmark of total assets. Materiality represents approximately 0.25% (2016: 0.49%) 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. Sales activity increased in 2017, and the Group has recorded a profit for the first time in the year ended 31 December 2017. Therefore in assessing materiality for 2017 in absolute terms, we also had regard to the level of sales and profit. Our materiality measure for 2017 represents 0.25% of total assets which is below the materiality measure of 0.5%-1.0% typically used for this measure, where applicable, in public company audits.

We report to the Audit and Risk Committee all corrected and uncorrected misstatements we identified through our audit with a value in excess of €0.125 million (2016: €0.2 million), in addition to other audit misstatements below that threshold that we believe warrant reporting on qualitative grounds.

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

Materiality for the company financial statements as a whole was set at €1.7 million (2016: €4.1 million), determined with reference to a benchmark of total assets, of which it represents 0.23% (2016: 0.61%).

4. We have nothing to report on going concern

We are required to report to you if:

- we have anything material to add or draw attention to in relation to the Directors' Statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group's and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- if the related statement under the Listing Rules set out on page 87 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5. We have nothing to report in respect of the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon (Directors' Report, Key Highlights, Our Business at a Glance, Chairman's Statement, Chief Executive Officer's Statement, Cairn Management Team, Strategy, Business Model, Risk Management, Market Overview, Group Finance Director's Review, Corporate Responsibility, Board of Directors, Corporate Governance Report, Audit and Risk Committee Report, Nomination Committee Report, Remuneration Committee Report and Additional Information section). 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 that work, we report that:

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

Disclosures of principal risks and longer-term viability

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

- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated;
- the Directors' confirmation within the Viability Statement on page 87 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 for our review.

We have nothing to report in these respects.

In addition as required by the Companies Act 2014, we report, in relation to information given in the Corporate Governance Report on pages 58 to 64, 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 2004/25/EC)) Regulations 2016 and specified for our consideration, is consistent with the financial statements and has been prepared in accordance with the Act; and
- 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.

We also report that, based on work undertaken for our audit, other information required by the Companies Act 2014 is contained in the Corporate Governance Report.

6. 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 Company's statement of financial position is in agreement with the accounting records.

7. 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 Listing Rules of the Irish Stock Exchange and UK Listing Authority require us to review:

- the Directors' statements, set out on page 87, in relation to going concern and longer-term viability;
- the part of the Corporate Governance Report on pages 58 to 64 relating to the Company's compliance with the provisions of the UK Corporate Governance Code and the Irish Corporate Governance Annex specified for our review; and
- certain elements of disclosures in the report to shareholders by the Board of Directors' Remuneration Committee.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 90, 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 and parent 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 parent 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 not just those directly affecting the financial statements.

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

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

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

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

3 April 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

		2017			2016		
	Note	Before Exceptional Items €'000	Exceptional Items (Note 8) €'000	Total €'000	Before Exceptional Items €'000	Exceptional Items (Note 8) €'000	Total €'000
Continuing operations							
Revenue	6	149,462	-	**149,462**	40,906	-	**40,906**
Cost of sales		(122,325)	-	**(122,325)**	(33,844)	-	**(33,844)**
Gross profit		27,137	-	**27,137**	7,062	-	**7,062**
Other income	7	258	-	**258**	4,425	-	**4,425**
Administrative expenses	8	(12,414)	(497)	**(12,911)**	(7,841)	(1,356)	**(9,197)**
Operating profit		14,981	(497)	**14,484**	3,646	(1,356)	**2,290**
Finance income	9	17	-	**17**	89	-	**89**
Finance costs	9	(8,533)	-	**(8,533)**	(5,194)	-	**(5,194)**
Profit/(loss) before taxation		6,465	(497)	**5,968**	(1,459)	(1,356)	**(2,815)**
Tax (charge)/credit	11			(989)			752
Profit/(loss) for the year				**4,979**			**(2,063)**
Other comprehensive income				-			-
Total comprehensive income/(loss) for the year				**4,979**			**(2,063)**
Profit/(loss) attributable to:							
Owners of the Company				4,452			(2,063)
Non-controlling interests				527			-
Profit/(loss) for the year				**4,979**			**(2,063)**
Basic earnings/(loss) per share	27			**0.6 cent**			**(0.3) cent**
Diluted earnings/(loss) per share	27			**0.6 cent**			**(0.3) cent**

Consolidated Statement of Financial Position

At 31 December 2017

	Note	2017 €'000	2016 €'000
Assets			
Non-current assets			
Property, plant and equipment	12	1,372	894
Intangible assets	13	821	485
Restricted cash	17	17,002	27,000
		19,195	**28,379**
Current assets			
Loan assets	14	-	16,000
Inventories	15	911,496	727,223
Trade and other receivables	16	5,540	17,015
Cash and cash equivalents	17	68,803	45,645
		985,839	**805,883**
Total assets		**1,005,034**	**834,262**
Equity			
Share capital	18	828	794
Share premium	18	749,616	697,733
Share-based payment reserve	19	14,222	24,779
Retained earnings		(44,741)	(58,935)
Equity attributable to owners of the Company		**719,925**	**664,371**
Non-controlling interests	28	1,795	-
Total equity		**721,720**	**664,371**
Liabilities			
Non-current liabilities			
Loans and borrowings	20	226,838	148,631
Deferred taxation	22	5,611	5,490
		232,449	**154,121**
Current liabilities			
Loans and borrowings	20	18,361	-
Trade and other payables	23	31,636	15,770
Current taxation		868	-
		50,865	**15,770**
Total liabilities		**283,314**	**169,891**
Total equity and liabilities		**1,005,034**	**834,262**

On behalf of the Board:

John Reynolds.

John Reynolds
Chairman

Michael Stanley
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017 €'000	2016 €'000
Cash flows from operating activities		
Profit/(loss) for the year	4,979	(2,063)
Adjustments for:		
Share-based payments expense	700	32
Finance costs	8,533	5,194
Finance income	(17)	(89)
Depreciation of property, plant and equipment	317	112
Amortisation of intangible assets	81	32
Taxation	989	(752)
	15,582	**2,466**
Increase in inventories	(184,273)	(151,105)
Decrease in loan assets	16,000	26,768
Decrease/(increase) in trade and other receivables	11,475	(3,796)
Increase in trade and other payables	12,607	4,464
Net cash used in operating activities	**(128,609)**	**(121,203)**
Cash flows from investing activities		
Acquisition of Argentum	-	(86,074)
Cash acquired on acquisition of Argentum	-	818
Purchases of property, plant and equipment	(795)	(876)
Purchases of intangible assets	(417)	(434)
Interest received	15	89
Transfer from restricted cash	10,000	-
Net cash from/(used in) in investing activities	**8,803**	**(86,477)**
Cash flows from financing activities		
Proceeds from issue of share capital, net of issue costs paid	50,402	167,716
Proceeds from borrowings, net of debt issue costs	96,937	99,285
Repayment of loans	-	(15,500)
Investment in subsidiary by non-controlling interest	1,268	-
Interest paid	(5,643)	(4,727)
Net cash from financing activities	**142,964**	**246,774**
Net increase in cash and cash equivalents in the year	**23,158**	**39,094**
Cash and cash equivalents at beginning of the year	45,645	6,551
Cash and cash equivalents at end of the year	**68,803**	**45,645**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

1. Basis of Preparation

(a) Reporting entity

Cairn Homes plc ("the Company") is a company domiciled in Ireland. The Company's registered office is 7 Grand Canal, Grand Canal Street Lower, Dublin 2. These consolidated financial statements cover the year ended 31 December 2017 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 2017. These standards had no material effect on the consolidated results of the Group.

- Amendments to IAS 7 *Statement of Cash Flows*;
- Amendments to IAS 12 *Income Taxes*; and
- Annual Improvements to IFRS Standards 2014-2016 Cycle.

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

- IFRS 17 *Insurance Contracts (IASB effective date 1 January 2021)*;
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration* (IASB effective date 1 January 2018);
- IFRIC 23 *Uncertainty over Income Tax Treatments* (IASB effective date 1 January 2019);
- Amendments to IFRS 9 *Prepayment Features with Negative Compensation* (IASB effective date 1 January 2019);
- Amendments to IAS 28 *Long-term Interest in Associates and Joint Ventures* (IASB effective date 1 January 2019);
- Annual Improvements to IFRS Standards 2015-2017 Cycle (IASB effective date 1 January 2019); and
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement (IASB effective date 1 January 2019).

The following standards have been endorsed by the EU, are available for early adoption and are effective from 1 January 2018 or 1 January 2019 as indicated below. The Group has not adopted these standards early, and instead intends to apply them from their effective dates as determined by their dates of EU endorsement.

- IFRS 15 *Revenue from contracts with customers* (May 2014) including amendments to IFRS 1 (September 2015). Effective date 1 January 2018;
- IFRS 9 *Financial Instruments* (July 2014). Effective date 1 January 2018;
- IFRS 16 *Leases* (January 2016). Effective date 1 January 2019;
- Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions* (Effective date 1 January 2018); and
- Amendments to IAS 40 *Transfers of Investment Property* (Effective date 1 January 2018).

The full potential impact of these standards on the Group is under review.

1. Basis of Preparation (continued)

Revenue recognition

IFRS 15, *Revenue from Contracts with Customers*, replaces IAS 18 *Revenue Recognition* and IAS 11 *Construction Contracts*. IFRS 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer. IFRS 15 is effective for annual periods beginning on or after 1 January 2018, and the Group will apply IFRS 15 from its effective date.

The Group considers that in respect of residential property sales control passes to customers at legal completion and therefore will be recognised at that point in time. Based on the Group's assessment of IFRS 15 it is not thought to have an impact on residential property sales, which make up the majority of the Group's revenue and profit. Residential site sales, which by their nature vary from year to year, are not expected to be impacted, but the Group will continue to review the contracts as they occur in the future to ensure that their treatment is consistent with IFRS15.

If IFRS 15 had been applied to the year ended 31 December 2017, it would not have had a material impact on the revenue reported by the Group.

Leases

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

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

The Group has an operating lease in respect of the rental of the central head office. The Group's outstanding operating lease commitments as at 31 December 2017 were €1.958 million as set out in Note 31. This figure is undiscounted and therefore is not an accurate measure of the potential impact of IFRS 16 on the statement of financial position. The liability at the date of initial application of IFRS 16 will be measured using a discount rate which cannot be accurately determined in advance of that date. Based on the Group's assessments to date of the potential impact of initial implementation of the new standard, whilst both assets and liabilities of the Group will increase, it is not expected to have a material impact on the Group's net assets.

Financial instruments

IFRS 9, *Financial Instruments*, is the standard replacing IAS 39, *Financial Instruments: Recognition and Measurement*. The standard addresses the classification, recognition, measurement and derecognition of financial assets and liabilities, and introduces new rules for hedge accounting and a new impairment model for financial assets. IFRS 9 is effective for annual periods beginning on or after 1 January 2018 and the Group will apply IFRS 9 from its effective date.

The Group considers that there will be no material impact on the accounting for financial liabilities, as the new requirements mainly affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The Group considers that there will be no material impact on its financial assets which are expected to continue to be accounted for at amortised cost.

1. Basis of Preparation (continued)

IFRS 9 also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of adoption of the new standard.

(d) Functional and presentation currency

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

(e) Going concern basis of accounting

Having considered the principal risks to the business, cash flow forecasts and available bank facilities, the Directors consider that it is appropriate that the financial statements have been prepared on the going concern basis, which assumes that the Group will continue to be able to meet its liabilities as they fall due for the foreseeable future.

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

2. Key Judgements and Estimates

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

The key judgements and estimates impacting these financial statements are:

- carrying value of inventories and allocations from inventories to cost of sales (See Notes 3 (f) and 15).

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 2017. The financial statements of the subsidiary undertakings are consolidated from the date when control passes to the Group using the acquisition method of accounting and up to the date control ceases.

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Goodwill arising on consolidation represents the excess of the fair value of the consideration over the fair value of the separately identifiable net assets and liabilities acquired.

3. Significant Accounting Policies (continued)

Any goodwill that arises is capitalised and tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

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

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

Subsidiaries

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

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

Transactions eliminated on consolidation

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

(b) Property, plant and equipment

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

- Leasehold Improvements 7 years
- Computers & Equipment 3-7 years

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

(c) Leases

Lease payments

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

(d) Intangible Assets

Computer Software

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

3. Significant Accounting Policies (continued)

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

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

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

(e) Revenue

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

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

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

(f) Inventories

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

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

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

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

3. Significant Accounting Policies (continued)

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

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

(g) Share-based payments

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

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

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

(h) Taxation

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

Current tax is the expected tax payable on taxable profit or loss for the period and any adjustment to tax payable in respect of previous periods. 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)

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

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

(i) Pensions

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

(j) Restricted cash and cash and cash equivalents

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

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

(k) Provisions

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

(l) Ordinary shares

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

(m) Exceptional items

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

(n) Segmental reporting

Operating segments are reported in a manner consistent with the internal organisational and management structure and the internal reporting information provided to the Chief Operating Decision Maker ("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.

3. Significant Accounting Policies (continued)

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

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

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

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

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

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

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

(ii) Non-derivative financial assets – measurement

Loans and receivables

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

(iii) Non-derivative financial liabilities – measurement

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

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

3. Significant Accounting Policies (continued)

(iv) Derivative financial instruments

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

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

(q) Impairment of financial assets

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

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 period during which the change has occurred.

Further disclosure about the assumptions made in measuring fair values is included in the following notes:

- Note 16 – Trade and other receivables;
- Note 17 – Restricted cash and cash and cash equivalents;
- Note 23 – Trade and other payables; and
- Note 30 – Financial instruments and risk management.

5. Segmental Information

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

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

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

6. Revenue

	2017 €'000	2016 €'000
Residential property sales	131,490	35,540
Residential site sales	16,797	4,205
Income from property rental	1,175	1,161
	149,462	**40,906**

7. Other Income

	2017 €'000	2016 €'000
Loan income	258	2,643
Other gains	-	1,782
	258	**4,425**

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

In the prior year, loan income of €2.6 million arose primarily from the settlement of certain loans acquired in the Project Clear loan portfolio, relating to development sites which the Group will not develop itself.

In the prior year, other gains mainly related to the release of a liability which had been assumed for certain expected payments to third parties, arising on the Project Clear loan portfolio, that are no longer payable.

8. Administrative Expenses

	2017			2016		
	Before Exceptional items €'000	Exceptional items €'000	Total €'000	Before Exceptional items €'000	Exceptional items €'000	Total €'000
Employee benefits expense (Note 10)	8,347	-	**8,347**	5,126	-	**5,126**
Other expenses	4,067	497	**4,564**	2,715	1,356	**4,071**
	12,414	**497**	**12,911**	**7,841**	**1,356**	**9,197**

Costs of €0.5 million, which are treated as exceptional, relate to the costs incurred during the year in connection with the Irish Stock Exchange listing which was completed in July 2017. As the listing of the Group is a non-routine transaction, these costs have been classified as an exceptional item.

In prior year, costs of €1.4 million relating to the acquisition of Argentum (Note 29) were treated as exceptional as a business combination is a non-routine transaction for the Group which is not currently expected to recur on a regular basis.

9. Finance Income and Finance Costs

	2017 €'000	2016 €'000
Finance income		
Interest income on short term deposits	17	89
Finance costs		
Interest expense on financial liabilities measured at amortised cost	(8,533)	(5,067)
Other finance costs	-	(127)
	(8,533)	**(5,194)**

Finance costs for the year ended 31 December 2017 comprise of interest (including amortised transaction costs) on the drawn Term Loans and Revolving Credit Facilities (Note 20), plus commitment fees on the undrawn facilities during the year.

10. Statutory and Other Information

(i) Employees

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

	2017	2016
Number of employees	95	38

The aggregate payroll costs of these employees were:

	2017 €'000	2016 €'000
Wages and salaries	9,982	5,443
Social welfare costs	942	545
Pension costs – defined contribution schemes	478	260
Share-based payment expense	700	32
Other	39	3
	12,141	**6,283**
Amounts capitalised into inventories	(3,794)	(1,157)
Employee benefit expense	**8,347**	**5,126**

(ii) Other Information

	2017 €'000	2016 €'000
Operating lease rental expense	343	409
Net foreign currency losses recognised in profit or loss	5	18
Auditor's remuneration		
Audit of Group, Company and subsidiary financial statements*	200	170
Other assurance services	-	11
Tax advisory services	73	143
Other non-audit services	144	398
	417	**722**
Directors' remuneration**		
Salaries, fees and other emoluments	2,910	2,663
Pension contribution – defined contribution schemes	108	90
	3,018	**2,753**

* Inclusive of review of interim financial statements.

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

11. Taxation

	2017 €'000	2016 €'000
Current tax charge for the year	868	-
Deferred tax charge/(credit) for the year	121	(752)
Total tax charge/(credit)	**989**	**(752)**

The amount shown for current taxation includes a liability for tax uncertainties and is based on the Directors' best estimate of the probable outflow of economic resources that will be required. As with all estimates, the actual outcome may be different to the current estimate.

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

	2017 €'000	2016 €'000
Profit/(loss) before tax	**5,968**	**(2,815)**
Tax charge/(credit) at standard Irish income tax rate of 12.5%	746	(352)
Effects of:		
Income taxed/expenses deductible at the higher rate of corporation tax	-	399
Expenses not deductible for tax purposes	162	14
Losses not recognised in prior period*	-	(813)
Adjustment in respect of prior period	81	-
Total tax charge/(credit)	**989**	**(752)**

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

12. Property, Plant and Equipment

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

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

13. Intangible Assets

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

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

14. Loan Assets

	2017 €'000	2016 €'000
Loan receivables	-	16,000
	-	**16,000**

The loan receivables were received in full on 6 July 2017.

15. Inventories

	2017 €'000	2016 €'000
Land held for development	788,791	559,032
Construction work in progress	104,492	37,277
Development land collateral	18,213	130,914
	911,496	**727,223**

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

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

Development land collateral consists of the collateral property attached to loans acquired by the Group as part of the December 2015 Project Clear loan portfolio acquisition. The Group has almost completed the foreclosure process of transferring development land collateral into its direct ownership. Consequently, the cost of the development land collateral attaching to the relevant Project Clear loan assets is shown within inventories. The carrying value of this collateral property at 31 December 2017 was €18.2 million.

The total amount charged to cost of sales from inventories during the year was €122.0 million (2016: €33.7 million).

16. Trade and Other Receivables

	2017 €'000	2016 €'000
VAT recoverable	-	6,888
Construction bonds	4,344	4,440
Other receivables	1,196	5,687
	5,540	**17,015**

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

17. Restricted Cash and Cash and Cash Equivalents

	2017 €'000	2016 €'000
Non-current		
Restricted cash	**17,002**	**27,000**

On 24 August 2017, the senior debt facility was amended and restated to reduce the restricted cash amount to €17 million. €10 million of this restricted cash was released into cash and cash equivalents.

€17 million of restricted cash is required to be maintained in an interest-bearing blocked deposit for the duration of the Group's senior debt facilities (Note 20), as part of the collateral for those facilities. The estimated fair value of restricted cash at 31 December 2017 is its carrying value.

	2017 €'000	2016 €'000
Current		
Cash and cash equivalents	**68,803**	**45,645**

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

18. Share Capital and Share Premium

Authorised

	Number	2017 €'000	Number	2016 €'000
Ordinary Shares of €0.001 each	1,000,000,000	1,000	1,000,000,000	1,000
Founder Shares of €0.001 each	100,000,000	100	100,000,000	100
Deferred Shares of €0.001 each	120,000,000	120	120,000,000	120
A Ordinary Shares of €1.00 each	20,000	20	20,000	20
Total authorised share capital		**1,240**		**1,240**

Issued and fully paid

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

Issued and fully paid

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

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 Emerald Everleigh Limited Partnership (the sole limited partner and economic beneficiary of which is the Emerald Opportunity Investment Fund, a sub-fund of the Emerald Fund ICAV) and PDL (the ultimate beneficiaries of which 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, 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.

18. Share Capital and Share Premium (continued)

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.

For a second period of 365 days commencing one year following conversion of Founder Shares into Ordinary Shares, the Founders shall be entitled to offer, sell, or contract to sell, or otherwise dispose of 50% of such Ordinary Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing but the lock-up restriction described above will continue to apply to the remaining 50% of such Ordinary Shares during that second period of 365 days.

The total number of Ordinary Shares impacted by these restrictions amounted to 46,196,261 at 31 December 2017.

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

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

Share Issues

Year ended 31 December 2017

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

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

Year ended 31 December 2016

On 19 April 2016, the Company issued 46,875,000 Ordinary Shares at €1.12 each through a Firm Placing and 110,713,709 Ordinary Shares at €1.12 each through a Placing and Open Offer, raising gross proceeds of €176.5 million. Share issue costs of €8.1 million were charged directly in equity to retained earnings.

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

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

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

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

As detailed in Note 18, during the year ended 31 December 2017, 38,685,292 Founder Shares were converted to ordinary shares and a proportionate amount of the €29.1 million amount referred to above, totalling €11.3 million, was transferred from the share-based payment reserve to retained earnings.

In the year ended 31 December 2016, 15,021,937 Founder Shares were converted to ordinary shares and a proportionate amount of the €29.1 million amount referred to above, totalling €4.4 million, was transferred from the share-based payment reserve to retained earnings.

Long Term Incentive Plan

The Group operates an equity settled Long Term Incentive Plan (LTIP), which was approved at its May 2017 Annual General Meeting, under which conditional awards of 1,465,909 shares have been made to senior executives. The shares will vest on satisfaction of service and performance conditions attaching to the LTIP. Vesting of 80% of the awards will be based on Earnings per Share (EPS) performance and 20% will be based on Total Shareholder Return (TSR) over the 3 years 2017, 2018 and 2019.

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

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

- Share price volatility of 30% per annum;
- Risk free rate of 0% per annum;
- Dividend yield of 3% per annum, effective from 2018;
- Share price at date of grant €1.60; and
- Share price at beginning of performance period €1.35.

19. Share-Based Payments (continued)

The Group recognised an expense of €0.640 million related to the LTIP in the statement of profit or loss and other comprehensive income during the year ended 31 December 2017, with a corresponding increase in the share-based payment reserve in equity.

Share Options

500,000 ordinary share options were issued in the period ended 31 December 2015, to a Director at that time. 250,000 of these options vest during 2018 and the remaining 250,000 vest during 2019. The exercise price of each ordinary share option is €1.00. At grant date, the fair value of the options that vest during 2018 was calculated at €0.219 per share while the fair value of options that vest in 2019 was calculated at €0.220 per share. The valuation exercise undertaken to fair value the share options resulted in a non-cash charge in administrative expenses in the year ended 31 December 2017 of €0.060 million (2016: €0.032 million) with a corresponding increase in the share-based payment reserve in equity.

20. Loans and Borrowings

	2017 €'000	2016 €'000
Current liabilities		
Bank loans		
Repayable within one year	18,361	-
Non-current liabilities		
Bank loans		
Repayable as follows:		
Between one and two years	226,838	-
Between two and five years	-	148,631
Total borrowings	**245,199**	**148,631**

The Group has Term Loan and Revolving Credit Facilities with AIB and Ulster Bank of €200 million of which €180 million is drawn. These facilities are repayable by 11 December 2019. During 2017, €30 million was drawn down on the Revolving Credit Facility by the Group.

On 29 August 2017, the Group entered into a 12 month short term loan facility with AIB for €10 million.

The loan facilities above are secured by a floating charge over the assets of the Company and its wholly owned subsidiaries except for Cairn Homes Montrose Limited and Balgriffin Cells P13-P15 DAC.

On 31 May 2017, a subsidiary entity, Balgriffin Cells P13-P15 DAC (see Note 28) entered into a Revolving Credit Facility of €10.1 million with AIB for a term of 18 months, to finance a joint development with National Asset Management Agency ("NAMA"). At 31 December 2017, €8.6 million was drawn down. This facility is secured by a fixed and floating charge over the assets of Balgriffin Cells P13-P15 DAC.

20. Loans and Borrowings (continued)

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

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

21. Reconciliation of movement of Liabilities to Cash Flows arising from Financing Activities

	Liabilities		Equity		
	Loans and borrowings (Note 20) €'000	Accrued interest €'000	Share capital/ premium €'000	Non-controlling interests €'000	Total €'000
Balance at 1 January 2017	**148,631**	**28**	**698,527**	**-**	**847,186**
Cash flows from financing activities					
Proceeds from issue of share capital, net of issue costs paid	-	-	50,402	-	**50,402**
Proceeds from borrowings, net of debt issue costs	96,937	-	-	-	**96,937**
Investment in subsidiary by non-controlling interest	-	-	-	1,268	**1,268**
Interest paid	-	(5,643)	-	-	**(5,643)**
Total changes from financing cash flows	**96,937**	**(5,643)**	**50,402**	**1,268**	**142,964**
Other changes					
Borrowing costs offset against loans	(1,604)	-	-	-	**(1,604)**
Amortisation of borrowing costs	1,235	-	-	-	**1,235**
Interest for the year	-	7,231	-	-	**7,231**
Share issue costs charged to retained earnings	-	-	1,515	-	**1,515**
Profit attributable to non-controlling interest	-	-	-	527	**527**
Total other changes	**(369)**	**7,231**	**1,515**	**527**	**8,904**
Balance at 31 December 2017	**245,199**	**1,616**	**750,444**	**1,795**	**999,054**

22. Deferred Taxation

Movement in deferred tax liability:

	2017 €'000	2016 €'000
Opening balance	5,490	815
Net liability acquired in business combination (Note 29)	-	5,427
Charged/(credited) to profit or loss	121	(752)
As at year end	**5,611**	**5,490**

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

2017	Deferred tax assets €'000	Deferred tax liabilities €'000	Net deferred tax liability €'000
Opening balance	2,813	(8,303)	(5,490)
Recognised in profit or loss	(1,488)	1,367	(121)
Closing balance	**1,325**	**(6,936)**	**(5,611)**

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

There are no unrecognised deferred tax assets at 31 December 2017 (2016: €nil).

23. Trade and Other Payables

	2017 €'000	2016 €'000
Trade payables	8,193	7,659
Accruals	14,202	6,945
VAT liability	7,854	-
Other creditors	1,387	1,166
	31,636	**15,770**

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

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

25. Related Party Transactions

For the year ended 31 December 2017, the following related party transactions have taken place requiring disclosure:

- The Directors decided not to exercise the option to acquire lands at Navan owned by Sonbrook Property Moathill Limited ("Sonbrook"), a company controlled by Kevin Stanley, a Founder Shareholder and employee of the Company. Sonbrook refunded costs incurred by the Company of €0.122 million.
- The remuneration of key management personnel (which comprise the Board of Directors of the Company) was as follows:

	2017 €'000	2016 €'000
Short-term employee benefits	2,450	2,259
Post-employment benefits (pension contributions – defined contribution schemes)	78	68
Share-based payment expense – LTIP and share options	256	32
Total remuneration of key management personnel	**2,784**	**2,359**

In the prior year ended 31 December 2016, the following related party transaction had taken place requiring disclosure:

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

26. Group Entities

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

		Company's holding	
Group company	Principal activity	Direct	Indirect
Cairn Homes Holdings Limited	Holding company	100%	-
Cairn Homes Properties Limited	Holding of property	-	100%
Cairn Homes Construction Limited	Construction company	-	100%
Cairn Homes Butterly Limited	Holding of property	100%	-
Cairn Homes Galway Limited	Holding of property	100%	-
Cairn Homes Killiney Limited	Holding of property	100%	-
Cairn Homes Navan Limited	No activity in period	100%	-
Cairn Homes Finance Designated Activity Company	Financing activities and management of loan assets	100%	-
Cairn Homes Montrose Limited	Holding of property	100%	-
Balgriffin Cells P13-P15 Designated Activity Company	Development of property	65%	-
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%

27. Earnings Per Share

The basic earnings per share for the year ended 31 December 2017 is based on the earnings attributable to ordinary shareholders of €4.452 million and the weighted average number of ordinary shares outstanding for the period.

	2017 €'000	2016 €'000
Profit/(loss) for the year attributable to the owners of the Company	4,452	(2,063)
Numerator for basic and diluted earnings/(loss) per share	**4,452**	**(2,063)**

	Number of Shares	Number of Shares
Weighted average number of ordinary shares for year (basic)	724,734,096	632,830,319
Dilutive effect of Founder Shares and options	31,665,322	-
Denominator for diluted earnings/(loss) per share	**756,399,418**	**632,830,319**
Earnings/(loss) per share (cent)		
– Basic	0.6	(0.3)
– Diluted	0.6	(0.3)

The diluted earnings per share calculation reflects an estimate of the number of ordinary shares to be issued through conversion of Founder Shares in 2018. It assumed, as is required under IAS 33, that the test period for the Founder Share conversion calculation is from 1 September 2017 to 31 December 2017, however the actual test period for determining the Founder Share conversion in 2018 will be from 1 March 2018 to 30 June 2018. The impact of share options granted is also reflected in the calculation.

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.

28. Non-Controlling Interest

The non-controlling interest at 31 December 2017 of €1.8 million relates to the 35% share of the net assets of a subsidiary, Balgriffin Cells P13-P15 DAC, which is held by National Asset Management Agency ("NAMA"). Cairn Homes plc holds 65% of the equity share capital in this subsidiary which is involved in the development of residential property. The non-controlling interest in respect of Balgriffin Cells P13-P15 DAC is not considered material to the Group.

Name	Principal activities	Country of incorporation	Ownership interest held by non-controlling interest % 2017	2016
Balgriffin Cells P13-P15 Designated Activity Company	Development of property	Ireland	35%	0% (Not active in 2016)

29. Business Combination

There were no business combinations by the Group during 2017.

Year ended 31 December 2016

On 21 April 2016, the Company acquired 100% of the share capital of Argentum Property Holdco Limited ("Argentum") for a consideration of €91.2 million. The purpose of the acquisition was to acquire Argentum's business of the development of residential properties at Ashbourne, Naas, Greystones, Griffith Avenue, Dollymount and Swords.

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

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

The total fair value of assets acquired was €91.2 million, which was satisfied by the cash consideration of €91.2 million, consisting of a deposit of €5 million paid in 2015 and a payment of €86.1 million in 2016, with €0.1 million paid in 2017.

The fair value of contingent consideration was assessed as nil by the Directors at the acquisition date. The maximum amount of contingent consideration payable is €8.75 million (see Note 32). Inventories of €94.3 million reflect the fair value, as at the date of acquisition, of development properties owned by Argentum and a conditional purchase contract to acquire the Greystones site. The purchase of the Greystones site completed at a cost of €14.4 million on August 24 2016, which was paid to the vendors of the Greystones site and was separate from the business combination. The combined total of the consideration for the Argentum business and the payment to complete the Greystones site purchase was €105.6 million.

Transaction costs relating to the business combination of €1.4 million were charged to profit or loss in 2016 in accordance with IFRS 3. As the acquisition of a business (as opposed to site purchases) is a non-routine transaction for the Group which is not currently expected to recur on a regular basis, these have been classified as an exceptional item.

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

(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 main financial assets are cash and cash equivalents (including restricted cash).

Loan receivables, which totalled €16.0 million at 31 December 2016 were repaid in full in July 2017. As at 31 December 2017 there were no loan receivables.

Group management in conjunction with the Board manage risk associated with cash and cash equivalents and restricted cash by depositing funds with a number of Irish financial institutions and AAA rated international institutions. At 31 December 2017, the Group's deposits were held in one Irish financial institution with a credit rating of A.

The maximum amount of credit exposure is therefore:

	2017 €'000	2016 €'000
Loan receivables	-	16,000
Construction bonds and other receivables	5,540	10,127
Restricted cash – non-current	17,002	27,000
Cash and cash equivalents – current	68,803	45,645
	91,345	**98,772**

Construction bonds and other receivables of €5.5 million at 31 December 2017 were all neither past due nor impaired.

30. Financial Instruments and Risk Management (continued)

At 31 December 2017, the ageing of loan receivables was as follows:

	2017 €'000	2016 €'000
Past due, in default and not impaired	-	16,000
	-	**16,000**

The loan receivables were received in full in July 2017.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables and commitments. All trade and other payables at 31 December 2017 are considered current with the expected cash outflow equivalent to their carrying value.

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

	2017 €'000	2016 €'000
Financial liabilities due in less than one year		
Trade payables and accruals	22,395	14,604
Borrowings	18,361	-
	40,756	**14,604**
Financial liabilities due after more than one year		
Borrowings	226,838	148,631
	226,838	**148,631**
Funds available:		
Cash and cash equivalents (excluding restricted cash)	68,803	45,645
Revolving credit facilities undrawn	21,500	50,000
	90,303	**95,645**

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

These forecasts are based on:

- detailed forecasting by site for the period 2018-2020, reflecting trends experienced up to the date of preparation; and
- future revenues for 2018-2020 based on management's assessment of trends across principal development sites.

30. Financial Instruments and Risk Management (continued)

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

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

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

31 December 2017

		Contractual cash flows				
	Carrying Amount €'000	Total €'000	6 months or less €'000	6-12 months €'000	1-2 years €'000	2-5 years €'000
Non-derivative financial liabilities						
Trade payables and accruals	22,395	(22,395)	(22,395)	-	-	-
Loans and borrowings	245,199	(266,349)	(6,249)	(22,960)	(237,140)	-
	267,594	**(288,744)**	**(28,644)**	**(22,960)**	**(237,140)**	-

31 December 2016

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

(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 2017, the Group had Term Loan and Revolving Credit Facilities ("RCF") with AIB and Ulster Bank that had a principal drawn balance of €180 million (€150 million Term Loan and €30 million RCF), with a variable interest rate of Euribor (with a 0% floor), plus a margin of 3%. The Group has an exposure to cashflow interest rate risk where there are changes in Euribor rates. On 17 August 2016 the Group amended the interest rate terms in these loan agreements such that interest on €70 million of its Term Loan was fixed at an interest rate of 0% (benchmark) plus a margin of 3%, which is fixed until the loan matures in December 2019.

30. Financial Instruments and Risk Management (continued)

On 5 July 2017, the Group entered into a two year €50 million Term Loan facility with Activate Capital at a variable interest rate based on one month Euribor (with a 0% floor), plus a margin of 6%. The Group has not hedged its interest rate exposure on this Term Loan and retains an exposure to interest rate risk where there are changes in the prevailing one month Euribor rate.

Cash flow sensitivity analysis for variable-rate instruments

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

	Profit or loss		Equity	
	100 bp increase €'000	100 bp decrease €'000	100 bp increase €'000	100 bp decrease €'000
31 December 2017				
Variable-rate instruments – borrowings	(707)	-	(707)	-
Cash flow sensitivity (net)	**(707)**	**-**	**(707)**	**-**

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

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

(e) Capital management

The Board's policy is to maintain a strong capital base (defined as shareholders' equity) so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group takes a conservative approach to bank financing and the net debt to total asset value ratio was 15.9% at 31 December 2017 (2016: 9.1%). Net debt is defined as loans and borrowings (Note 20) less cash and cash equivalents and restricted cash (Note 17).

(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.

30. Financial Instruments and Risk Management (continued)

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.
Loan assets – as at 31 Dec 2016	Amortised cost	2	Discounted Cash Flow	Valuation based on discounted cash flows from expected settlement proceeds.

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

	2017 Carrying Value €'000	Fair Value Level 1 €'000	Fair Value Level 2 €'000	Fair Value Level 3 €'000
Financial assets measured at amortised cost				
Construction bonds and other receivables	5,540			
Cash and cash equivalents – current	68,803			
Restricted cash – non-current	17,002			
	91,345			
Financial liabilities measured at amortised cost				
Trade payables and accruals	22,395			
Borrowings	245,199		245,199	
	267,594			

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

31. Operating Leases

Operating lease commitments

The Group's operating lease commitments relate to the lease of its central head office property.

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

	2017 €'000	2016 €'000
Less than one year	389	389
Later than one and no later than five years	1,569	1,558
Later than five years	-	400
	1,958	**2,347**

32. Other Commitments and Contingent Liabilities

Pursuant to the provisions of Section 357, Companies Act 2014, the Company has guaranteed the liabilities and commitments of its subsidiary undertakings (excluding Balgriffin Cells P13-P15 DAC) for their financial periods ending 31 December 2017 and as a result such subsidiary undertakings have been exempted from the filing provisions of Companies Act 2014. Details of the Group's subsidiaries are included in Note 26 and all subsidiaries listed there, except Balgriffin Cells P13-P15 DAC, are covered by the Section 357 exemption.

As at 31 December 2017 the Group had a conditional contract to acquire a directly adjoining lot to its Cherrywood site at a cost of €9.2 million. Subsequent to the year end the Group completed this acquisition.

The Group has contracted to pay the vendors a further €8.75 million in the event that the Swords site (acquired as part of the Argentum transaction in 2016) (Note 29), is successfully rezoned as residential by 25 February 2019.

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

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

33. 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 2017, determined in accordance with IFRS as adopted by the EU, is €2.3 million (2016: profit of €2.8 million).

34. Events After the Reporting Period

There have been no events subsequent to 31 December 2017 which would require a disclosure in, or adjustment to, these financial statements.

35. Approval of Financial Statements

The financial statements were approved by the Board of Directors on 3 April 2018.

Company Financial Statements

For the year ended 31 December 2017

Company Statement of Financial Position

At 31 December 2017

	Note	2017 €'000	2016 €'000
Assets			
Non-current assets			
Property, plant and equipment	2	581	515
Intangible assets	3	821	485
Investments in subsidiaries	4	29,151	26,657
Deferred tax asset		130	118
		30,683	**27,775**
Current assets			
Amounts due from subsidiary undertakings	5	674,051	610,106
Trade and other receivables	6	648	1,318
Cash and cash equivalents		20,113	37,075
		694,812	**648,449**
Total assets		**725,495**	**676,274**
Equity			
Share capital	7	828	794
Share premium	7	749,616	697,733
Share-based payment reserve	8	14,222	24,779
Retained earnings		(42,218)	(49,674)
Total equity		**722,448**	**673,632**
Liabilities			
Current liabilities			
Trade and other payables	9	3,047	2,642
Total liabilities		**3,047**	**2,642**
Total equity and liabilities		**725,495**	**676,274**

On behalf of the Board:

John Reynolds
Chairman

Michael Stanley
Director

Company Statement of Changes in Equity

For the year ended 31 December 2017

	Share Capital						
	Ordinary shares €'000	Deferred shares €'000	Founder shares €'000	Share premium €'000	Share-based payment reserve €'000	Retained earnings €'000	Total €'000
As at 1 January 2017	**689**	**20**	**85**	**697,733**	**24,779**	**(49,674)**	**673,632**
Total comprehensive loss for the year							
Loss for the year	-	-	-	-	-	(2,286)	**(2,286)**
	-	**-**	**-**	**-**	**-**	**(2,286)**	**(2,286)**
Transactions with owners of the Company							
Issue of ordinary shares for cash	34	-	-	51,883	-	-	**51,917**
Share issue costs	-	-	-	-	-	(1,515)	**(1,515)**
Conversion of founder shares to ordinary shares	39	-	(39)	-	(11,257)	11,257	-
Equity-settled share-based payments	-	-	-	-	700	-	**700**
	73	**-**	**(39)**	**51,883**	**(10,557)**	**9,742**	**51,102**
As at 31 December 2017	**762**	**20**	**46**	**749,616**	**14,222**	**(42,218)**	**722,448**

Company Statement of Changes in Equity

For the year ended 31 December 2016

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

Company Statement of Cash Flows

For the year ended 31 December 2017

	2017 €'000	2016 €'000
Cash flows from operating activities		
(Loss)/profit for the year	(2,286)	2,775
Adjustments for:		
Share-based payments expense	614	32
Finance income	(16)	(89)
Depreciation of property, plant and equipment	141	95
Amortisation of intangible assets	81	32
Taxation	(12)	(118)
	(1,478)	**2,727**
Decrease in inventories	-	72,899
Increase in amounts due from group undertakings	(63,945)	(124,320)
Decrease/(increase) in trade and other receivables	670	(328)
Increase in trade and other payables	405	829
Net cash used in operating activities	**(64,348)**	**(48,193)**
Cash flows from investing activities		
Acquisition of Argentum	-	(86,074)
Investment in shares in subsidiary undertakings	(2,408)	-
Purchases of property, plant and equipment	(207)	(535)
Purchases of intangible assets	(417)	(434)
Interest received	16	89
Net cash used in investing activities	**(3,016)**	**(86,954)**
Cash flows from financing activities		
Proceeds from issue of share capital, net of issue costs paid	50,402	167,716
Net cash from financing activities	**50,402**	**167,716**
Net (decrease)/increase in cash and cash equivalents in the year	**(16,962)**	**32,569**
Cash and cash equivalents at beginning of year	37,075	4,506
Cash and cash equivalents at end of year	**20,113**	**37,075**

Notes to the Company Financial Statements

For the year ended 31 December 2017

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 33 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 2017 is €2.3 million (2016: profit of €2.8 million).

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

(a) Investments in subsidiaries

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

Share-based payments in respect of employees in subsidiaries are accounted for as an increase in the cost of investments in subsidiaries.

(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	2017 Total €'000
Cost			
At 1 January 2017	460	150	610
Additions	3	204	207
At 31 December 2017	**463**	**354**	**817**
Accumulated depreciation			
At 1 January 2017	(66)	(29)	(95)
Depreciation	(66)	(75)	(141)
At 31 December 2017	**(132)**	**(104)**	**(236)**
Net book value			
At 31 December 2017	**331**	**250**	**581**

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

3. Intangible Assets

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

4. Investments in Subsidiaries

	2017 €'000	2016 €'000
At the beginning of the year	26,657	26,657
Additions during the year	2,408	91,187
Transfer to group undertaking	-	(91,187)
Cost of share-based payments in respect of subsidiaries	86	-
At the end of the year	**29,151**	**26,657**

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

Additions during 2017 relates to the investment in 65% of the equity share capital in Balgriffin Cells P13-P15 DAC, further details of which are given in Note 28 of the consolidated financial statements.

Additions during 2016 related to the acquisition of 100% of the share capital of Argentum Property Holdco Limited ('Argentum') (see Note 29 of the consolidated financial statements). During 2016, as part of an internal group reorganisation, the Company sold its shares in Argentum to a subsidiary entity within the Group.

5. Amounts due from Subsidiary Undertakings

Amounts due from subsidiary undertakings are repayable on demand.

6. Trade and Other Receivables

	2017 €'000	2016 €'000
VAT recoverable	255	773
Other receivables	393	545
	648	**1,318**

7. Share Capital and Share Premium

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

8. Share-Based Payments

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

9. Trade and Other Payables

	2017 €'000	2016 €'000
Trade payables	376	428
Accruals	2,671	1,250
Other creditors	-	964
	3,047	**2,642**

10. Financial Instruments

The carrying value of the Company's financial assets and liabilities, comprising amounts due from subsidiary undertakings, other receivables, cash and cash equivalents, trade payables, accruals and other creditors are a reasonable approximation of their fair value. Relevant disclosures on Group financial instruments and risk management are given in Note 30 of the consolidated financial statements.

11. Related Party Transactions

Under IAS 24, *Related Party Disclosures*, the Company has related party relationships with key management and with its subsidiary undertakings (see Note 26 of the consolidated financial statements).

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

For the year ended 31 December 2017 the following related party transaction had taken place requiring disclosure:

- The Directors decided not to exercise the option to acquire lands at Navan owned by Sonbrook Property Moathill Limited ("Sonbrook"), a company controlled by Kevin Stanley, a Founder Shareholder and employee of the Company. Sonbrook refunded costs incurred by the Company of €0.122 million.

For the year ended 31 December 2016 the following related party transaction had taken place requiring disclosure:

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

12. Approval of Financial Statements

The financial statements were approved by the Board of Directors on 3 April 2018.

Additional Information

Company Information

Directors

Michael Stanley (Chief Executive Officer)
Alan McIntosh (Executive, British)
Tim Kenny (Group Finance Director)
John Reynolds (Non-Executive Chairman)
Andrew Bernhardt (Non-Executive, British)
Giles Davies (Non-Executive, British)
Gary Britton (Non-Executive)

Secretary and Registered Office

Susan O'Connor
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Registrars

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(Ireland) Limited
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Sandyford Industrial Estate
Dublin 18

Auditor

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Chartered Accountants
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Website

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Solicitors

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IFSC
North Wall Quay
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Eversheds Sutherland
One Earlsfort Centre
Earlsfort Terrace
Dublin 2

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30 Crown Place
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Beauchamps
Riverside Two
Sir John Rogerson's Quay
Dublin 2

Principal Bankers

Allied Irish Banks plc
Bankcentre
Ballsbridge
Dublin 4

Ulster Bank Ireland DAC
33 College Green
Dublin 2

Financial Calendar

Half-Year Results for 2017	5 September 2017
Final Results for 2017	6 March 2018
Annual General Meeting	16 May 2018
2018 Half-Year Results	4 September 2018

Location of 2018 Annual General Meeting

The Annual General Meeting of the Company will be held on Wednesday 16 May 2018 at 11am in **The Marker Hotel, Grand Canal Square, Docklands, Dublin 2, D02 CK38.**

Notes

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