Cairn Homes plc
Results for the Year Ended 31 December 2018
Cairn Announces Dividend Intentions

7 March 2019: Cairn Homes Plc ("Cairn", "the Company" or "the Group"), the leading Irish homebuilding company, announces its results for the year ended 31 December 2018.

Financial Highlights €'m	**2018**	**2017**	**Change**
Revenue	**337.0**	149.5	+125%
Gross profit	**69.1**	27.1	+155%
Gross margin	**20.5%**	18.2%	+230bps
Operating profit	**53.2**	14.5	+267%
Operating margin	**15.8%**	9.7%	+610bps
Cash generated from/(used in) operations	**40.1**	(128.6)	+€168.7m
Earnings per share - basic	**4.0c**	0.6c	+567%
Adjusted earnings per share – basic[1]	**4.4c**	0.7c	+529%
Inventories (development land & construction WIP)	**933.4**	911.5	+€21.9m
Net debt	**134.4**	159.4	(€25.0m)

HIGHLIGHTS

Financial

- Substantial revenue growth to €337.0 million (2017: €149.5 million), including €294.2 million revenue from new homes sold (2017: €131.5 million). 804 closed sales in 2018 at an average selling price ("ASP") of €366,000[2] (2017: 418 closed sales at an ASP of €315,000).
- Gross profit €69.1 million (2017: €27.1 million) delivering a strong gross margin of 20.5% (2017: 18.2%).
- Operating profit increased to €53.2 million (2017: €14.5 million) reflecting the strong underlying performance of an established and profitable business. Operating margin of 15.8% (2017: 9.7%), an increase of 610bps. Adjusted earnings per share[1] 4.4 cent (2017: 0.7 cent).
- Development land and construction work in progress of €933.4 million at 31 December 2018 (2017: €911.5 million), which includes €180.8 million construction work in progress (2017: €104.5 million).
- Cash generated from operations €40.1 million (2017: cash outflow €128.6 million) resulting in a reduction in net debt to €134.4 million (2017: €159.4 million). The Company successfully completed a €350 million debt refinancing during 2018 and had an undrawn €199 million revolving credit facility ("RCF") at year end (31 December 2017: undrawn RCF €20 million).
- Intention to announce a first interim ordinary dividend of 2.5 cent per share in September 2019 (subject to High Court approval of our capital reorganisation).

Operational and Strategic

- At year end, active on 12 sites (31 December 2017: 11 sites) which will deliver c. 4,400 new homes. The Company is currently selling from nine sites and five new selling sites are scheduled to launch in 2019.

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[1] The term "adjusted" means before the impact of exceptional items (net of related tax) of €3.44 million (2017: €0.5 million). Additional information on adjusted earnings per share is set out in note 12 on page 20.

[2] All ASPs exclude VAT

- Cairn had 24 separate successful planning grants in 2018 (2,106 units). With one further planning grant received to date in 2019 (221 units), we currently have five planning applications, comprising c. 1,800 residential units, in the single-step Strategic Housing Development ("SHD") planning process.
- Following on from the successful forward sale of 120 apartments at Six Hanover Quay (Dublin 2) for €101 million (incl. VAT) and given the demand for purpose built multifamily PRS assets in Dublin, Cairn will commence four multifamily PRS schemes which we will potentially bring to the market as forward sales opportunities, including 280 apartment units in Citywest (Dublin 24), which will launch this month.
- On 22 January 2019, the Company announced the signing of a second investment venture agreement with NAMA to build in excess of 550 new homes on a 14.5 acre site adjoining our successful Parkside development.
- At the extraordinary general meeting ("EGM") held on 26 February 2019, shareholders approved a capital reorganisation resolution to reduce the Company's share premium account by €550 million, and subject to High Court approval, the reserves resulting from this cancellation are to be treated as realised profits.
- Subject to the above, the Directors intend to announce a first interim ordinary dividend of 2.5 cent per share at the announcement of our 2019 interim results in September 2019, earlier than previously guided. Cairn expects to outline our approach to ordinary dividends and capital allocation more generally when we announce our 2019 interim results.

OUTLOOK

- Construction activity has increased since the start of 2019 with five further site commencements planned which will deliver an additional c. 2,200 new homes. Cairn's year to date closed sales and current forward sales pipeline is encouraging, with a sales value of €201.4 million (471 units at an ASP of €428,000) as at 6 March 2019. These underpin the Company's medium term target.
- The Company estimates that as many as c. 2,500 – 3,000 units from our c. 4,400 apartment units could satisfy more than €1 billion of the capital seeking multifamily PRS opportunities in the Greater Dublin Area ("GDA").
- Cairn's expected free cash generation of c. €350 million to €400 million by the end of 2021 will enable the board to announce a first interim ordinary dividend of 2.5 cent per share in September 2019 and signals the likelihood of future capital returns in the form of ordinary dividends, special dividends and/or share buybacks.

Commenting on the results, Michael Stanley, Co-Founder and CEO, said:

"The strong performance in 2018 reflects the continuing success of our strategy, as we capitalise on the recovery of the Irish residential property market by establishing our reputation for high-quality, competitively priced new homes. We achieve this by designing and building in great locations, creating places and homes where people love to live.

Cairn's operational capability across our attractive landbank, combined with pent-up consumer and institutional demand for well built homes, will drive revenues, profitability and cash generation in 2019 and beyond. This in turn enables us to commence a progressive capital return strategy this year. We look forward to the future with confidence."

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An analyst and investor call will be hosted by Michael Stanley, Co-Founder and CEO, and Tim Kenny, Group Finance Director, today 7 March 2019 at 8.30am (GMT). Please use the numbers below, quoting the following Conference ID: 61307813#:

Ireland
- Toll free: 1800 948 241

UK
- Toll free: 0800 358 9473

US
- Toll free: 1855 857 0686

International
- Toll: +353 (1) 431 1252

Notes to Editors
Cairn Homes plc ("Cairn") is the leading Irish homebuilder committed to building high-quality, competitively-priced, sustainable new homes in great locations. Cairn operates a defined and established business model which brings together the best builders, planners, architects and designers in collaboration with our own experienced team. At Cairn, the homeowner is at the very centre of the design process and we provide an unparalleled customer service throughout each stage of the home-buying journey. A new Cairn home is thoughtfully designed and built to last with a focus on creating shared spaces and environments where communities prosper. Cairn owns a c. 15,100 unit land bank across 32 residential development sites, 90% of which are located in the GDA with excellent public transport and infrastructure links. Cairn is today building on 13 sites in the GDA, which will deliver over 4,750 new homes.

Note regarding forward-looking statements
Some statements in this announcement are forward-looking. They represent our expectations for our business and involve risks and uncertainties. We have based these forward-looking statements on our current expectations and projections about future events. We believe that our expectations and assumptions with respect to these forward-looking statements are reasonable. However, because they involve known and unknown risks, uncertainties and other factors, which are in some cases beyond our control, our actual results or performance may differ materially from those expressed or implied by such forward-looking statements. These forward-looking statements speak only as of the date of this document and no obligation is undertaken, save as required by law, by the Listing Rules of Euronext Dublin or by the listing rules of the UK Listing Authority, to reflect new information, future events or otherwise.

Note regarding Market Abuse Regulation
This announcement contains inside information regarding the Company pursuant to the Market Abuse Regulation.

CHIEF EXECUTIVE STATEMENT

STRATEGIC OBJECTIVES

The Company's objective is to be the leading Irish homebuilder by building in great locations and creating places and homes where people love to live. By doing this, Cairn maximises the opportunities that exist in the Irish new homes residential property market and delivers substantial shareholder returns. This strategy is supported by our vision to be the most trusted and safest homebuilder in Ireland and through operating our business under five strategic pillars:

1. Customers – deliver the best customer experience;
2. Homes – design and build high quality homes;
3. Places – create places for communities to prosper;
4. People – attract and retain the best talent and trusted partners; and
5. Operational – leverage a high performing commercial operational platform.

These strategic pillars provide a filter for prioritisation for our team; our strategy is cascaded into goals which align across teams, right down to each individual team member. The Company is also committed to developing our strong culture as a source of competitive advantage. This focus has enabled us to achieve considerable growth in revenue, profitability and cash generation.

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

The growth and popularity of multifamily PRS as an asset class and the substantial quantum of international institutional capital seeking exposure to this sector provides the Company with options and significant opportunities across each of our sites over the coming years. Cairn estimates that as many as c. 2,500 - 3,000 units from our c. 4,400 apartment units could satisfy more than €1 billion of the capital seeking these multifamily opportunities. Our strategy is to integrate multifamily PRS into our apartment delivery pipeline in a measured and balanced manner to provide us with the flexibility and option to accelerate multifamily PRS delivery plans so as to maximise shareholder returns.

Following the substantial investment in our business and work in progress over the last number of years, Cairn is now generating significant free cash flow which is expected to support the implementation of a progressive capital return policy, including the potential for share buybacks in addition to ordinary and special dividends.

FINANCIAL REVIEW

Revenue in 2018 of €337.0 million (2017: €149.5 million), an increase of 125%, including €294.2 million from 804 closed sales (2017: €131.5 million from 418 closed sales) and €41.7 million from residential site sales (2017: €16.8 million).

Gross profit increased to €69.1 million (2017: €27.1 million) and gross margin increased significantly to 20.5% (2017: 18.2%), an increase of 230bps.

Operating profit increased to €53.2 million (2017: €14.5 million), a substantial increase of €38.7 million from what is now an established and profitable business. The operating profit margin increased by 610bps to 15.8% (2017: 9.7%).

Finance costs (excluding exceptional finance expenses of €3.9 million) for the year were €11.7 million (2017: €8.5 million). Cairn completed a debt refinancing of the existing €200 million term loan and revolving credit facility into a new €277.5 million term loan and revolving credit facility during the year and also completed a €72.5 million private placement of loan notes. The new funding arrangements provide additional financial flexibility in supporting the growth of the business as well as reducing our finance costs and extending the maturity profile of our debt.

Profit before tax was €37.6 million (2017: €6.0 million). Adjusted profit before tax increased to €41.5 million (before exceptional items of €3.9 million) (2017: €6.5 million, before exceptional items of €0.5 million). The strong trading performance in 2018 delivered an adjusted basic earnings per share of 4.4 cent (2017: 0.7 cent).

Inventories as at 31 December 2018 of €933.4 million (31 December 2017: €911.5 million) comprise land held for development of €750.7 million (31 December 2017: €788.8 million), construction work in progress of €180.8 million (31 December 2017: €104.5

million) and development land collateral of €1.9 million (31 December 2017: €18.2 million). The investment in work in progress reflects the ongoing increase in development activity during the year.

Cash generated from operations amounted to €40.1 million (2017: cash outflow €128.6 million) resulting in net debt of €134.4 million at 31 December 2018 (31 December 2017: €159.4 million) comprised of drawn debt of €196.7 million (net of unamortised arrangement fees and issue costs) (31 December 2017: €245.2 million) and cash of €62.2 million (31 December 2017: €68.8 million and restricted cash of €17.0 million). In 2018, the Company generated revenue of €337.0 million (2017: €149.5 million) and our total spend on construction work in progress amounted to €241.9 million (2017: €95.2 million).

The Company announced the completion of the third founder share test period (1 March – 30 June 2018) on 20 July 2018 and confirmed that the founder share value created would be satisfied through the conversion of 27,110,622 founder shares into the same number of ordinary shares, which occurred on 16 August 2018.

OPERATIONS REVIEW

The Company delivered 804 closed sales in 2018 across nine developments at an ASP of €366,000 comprising 612 houses at an ASP of €323,000 and 192 apartments at an ASP of €505,000 (2017: 418 closed sales at an ASP of €315,000 comprising 373 houses at an ASP of €286,000 and 45 apartments at an ASP of €552,000). Cairn sold our first duplex housing units in 2018 and delivered 73 Part V homes across our various sites to local authorities, including 68 units in H2 2018 at an ASP of €207,000. First time buyer starter homes remain our core product offering and the ASP in 2018 across our starter home sites was €312,000 (2017: €301,000). House price inflation averaged 4.5% across our active sites during 2018.

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

2018 was another year of significant growth in the breadth of the Company's construction activities and we are today active on 13 sites which will deliver up to 4,750 residential units. Cairn is supporting over 2,500 jobs across our active sites, including direct employees, subcontractors and other sector professionals. The Company commenced construction on three new housing sites at Gandon Park (Lucan), Oak Park (Naas) and Mariavilla (Maynooth) during 2018 which will deliver nearly 1,000 new homes to the market; five commencements are anticipated during 2019 across our housing and apartment sites which will deliver c. 2,200 new homes, including the recently commenced Citywest (Dublin 24) site. In addition, the construction of new phases commenced at our Parkside (Malahide Road), Glenheron (Greystones), Shackleton Park (Lucan), Churchfields (Ashbourne) and Elsmore (Naas) housing sites. Phase 1 of our award winning Marianella (Rathgar) apartment scheme is complete, while construction of both Six Hanover Quay (Dublin 2) and Donnybrook Gardens (Dublin 4) is progressing well.

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

Cairn builds on large scale, multi-phase, multi-year housing sites which allows us to respond quickly to increased demand by accelerating construction, while effectively managing build cost. The Company is a developer contractor. Our directly employed site management teams, supported by the central team, manage and control a strong supply chain and a well-established, loyal subcontractor base. The Company has a current committed order book of €250 million on active sites (orders placed and prices fixed on labour and materials) and our top 15 subcontractors account for 60% of all procurement since IPO, working across an average of five developments each. Cairn has fixed price contracts in place across all of our active construction sites – 81% of our 2019 and 71% of our 2020 construction costs on these active sites are fixed.

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

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

The Company obtained full planning permission for 2,106 units in 2018 (2017: 1,187 units) from 24 separate successful grants of planning. Cairn's track record in delivering planning grants and gains continues and almost all of our planning applications (c. 4,200 units) have utilised the single-step SHD or fast-track SDZ process;

- Nine applications granted full planning permission (c. 2,500 units) including Mariavilla (Maynooth), Blakes (Stillorgan), Citywest (Dublin 24) and Cross Avenue (Blackrock) up to 6 March 2019;
- Five applications are in the SHD process (c. 1,800 units) - a starter home development at Newcastle (Co. Dublin), trade-up / down developments at Farrankelly (Delgany) and Douglas (Cork) and apartment developments at Marianella (Rathgar) and Griffith Avenue (Dublin 9); and
- Nine further SHD and SDZ planning submissions (c. 3,000 units) are being progressed through detailed design and local authority engagement, with a view to lodging each application over the course of the next six months.

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

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

HEALTH AND SAFETY

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

TEAM

The Company's headcount at 31 December 2018 was 155 (31 December 2017: 126). The Company has assembled a valued team with all the skills, experience and expertise to deliver our medium-term objectives.

INVESTOR RELATIONS

Cairn recognises the importance of regular communication with shareholders, potential investors and the international financial and investment community. This ensures a full understanding of our strategic objectives, our plans for the future and the measurement of performance against these plans. We conducted a comprehensive programme of investor engagement throughout 2018, including our successful inaugural Capital Markets Day in November 2018.

ECONOMY

Notwithstanding Brexit, Ireland's robust economic performance continued in 2018 and our economy is expected to record the highest growth rate in the EU at 7.4% for a fifth consecutive year (source: European Commission). This is an encouraging backdrop for our growth plans and with the medium-term annual demand for new homes in Ireland estimated at 35,000 units (source: ESRI), and only 18,072 new homes built nationally in the year to December 2018, the growth opportunities are significant. Only 13,373 new homes were built in multi-unit developments in 2018. In the GDA, 10,245 new homes were built, including 1,833 apartments and 830 one off homes (source all: CSO New Dwelling Completions Q4 2018).

The Irish mortgage market is growing with competition amongst mortgage providers intensifying. The value of mortgage drawdowns rose by 19.2% in 2018 to €8.7 billion (2017: €7.3 billion) and mortgage approval values increased by 8.6% to €10.1 billion (2017: €9.3 billion) (source: BPFI Mortgage Approvals December 2018 and BPFI Mortgage Drawdowns December 2018).

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

GOVERNMENT INITIATIVES

The objective of the Government's "Rebuilding Ireland" action plan in respect of residential construction is to double annual new homes construction to 25,000 by 2021. A number of welcome initiatives have been implemented to date: the launch of the €226 million Local Infrastructure Housing Activation Fund (the Company owns five sites which will benefit from this funding) with an additional allocation of €50 million in Budget 2019; the introduction of new fast-track planning for developments greater than 100 residential units through the SHD process; the first time buyer Help to Buy income tax rebate scheme; and the launch of the Rebuilding Ireland Home Loan product for first time buyers. New apartment design and urban development and building height guidelines have been implemented which remove numerical height caps and actively encourages higher density developments. The new National Planning Framework, known as "Project Ireland 2040", was launched in early 2018 to align the country's spatial planning and investment decisions in Ireland's strategy for growth and development until 2040, underpinned by €116 billion in capital spending on infrastructure priorities by 2027. Despite these Government initiatives, the supply of new, and in particular affordable, starter homes remains constrained.

EGM

At the EGM held on 26 February 2019, shareholders approved a capital reorganisation resolution to reduce the Company's share premium account by €550 million, and subject to High Court approval, the reserves resulting from this cancellation are to be treated as realised profits.

BOARD APPOINTMENTS

On 7 February 2019, the Company announced the appointment of three new independent non-executive Directors, Ms. Jayne McGivern, Ms. Linda Hickey and Mr. David O'Beirne. The board, led by the Nomination Committee and assisted by Korn Ferry, an external recruitment and advisory company, engaged in a process to review the structure, composition and capability of the board to ensure that Cairn has the right mix of skills and experience at board level to match our scale, ambition and growth objectives. Ms. Jayne McGivern and Mr. David O'Beirne joined the board on 1 March 2019 and Ms. Linda Hickey will join the board on her retirement from Goodbody Stockbrokers on a date to be confirmed in April 2019.

OUTLOOK

Construction activity has increased since the start of 2019 with five further site commencements planned which will deliver an additional c. 2,200 new homes. Cairn's year to date closed sales and current forward sales pipeline is encouraging, with a sales value of €201.4 million (471 units at an ASP of €428,000) as at 6 March 2019. These underpin the Company's medium term target.

The Company estimates that as many as c. 2,500 – 3,000 units from our c. 4,400 apartment units could satisfy more than €1 billion of the capital seeking multifamily PRS opportunities in the GDA.

Cairn's expected free cash generation of c. €350 million to €400 million by the end of 2021 will enable the board to announce a first interim ordinary dividend of 2.5 cent per share in September 2019 and signals the likelihood of future capital returns in the form of ordinary dividends, special dividends and/or share buybacks.

CAIRN HOMES PLC
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2018

		2018 Unaudited			2017 Audited		
	Note	Before Exceptional Items €'000	Exceptional Items (Note 14) €'000	Total €'000	Before Exceptional Items €'000	Exceptional Items (Note 14) €'000	Total €'000
Continuing operations							
Revenue	2	337,021	-	**337,021**	149,462	-	**149,462**
Cost of sales		(267,924)	-	**(267,924)**	(122,325)	-	**(122,325)**
Gross profit		69,097	**-**	**69,097**	27,137	**-**	**27,137**
Other income		-	-	**-**	258	-	**258**
Administrative expenses		(15,879)	-	**(15,879)**	(12,414)	(497)	**(12,911)**
Operating profit		53,218	-	**53,218**	14,981	(497)	**14,484**
Finance income		3	-	**3**	17	-	**17**
Finance costs	3	(11,708)	(3,930)	**(15,638)**	(8,533)	-	**(8,533)**
Profit before taxation		41,513	(3,930)	**37,583**	6,465	(497)	**5,968**
Tax charge	4			**(6,165)**			**(989)**
Profit for the year				**31,418**			**4,979**
Other comprehensive income				**-**			**-**
Total comprehensive income for the year				**31,418**			**4,979**
Profit attributable to:							
Owners of the Company				30,764			**4,452**
Non-controlling interests				654			**527**
Profit for the year				**31,418**			**4,979**
Basic earnings per share	12			**4.0 cent**			**0.6 cent**
Diluted earnings per share	12			**4.0 cent**			**0.6 cent**
Adjusted basic earnings per share	12			**4.4 cent**			**0.7 cent**

CAIRN HOMES PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

		2018	**2017**
		Unaudited	**Audited**
Assets	**Note**	**€'000**	**€'000**
Non-current assets			
Property, plant and equipment		1,358	1,372
Intangible assets		855	821
Restricted cash	7	-	17,002
		2,213	**19,195**
Current assets			
Inventories	5	933,355	911,496
Trade and other receivables	6	8,033	5,540
Cash and cash equivalents	7	62,232	68,803
		1,003,620	**985,839**
Total assets		**1,005,833**	**1,005,034**
Equity			
Share capital	8	828	828
Share premium	8	749,616	749,616
Share-based payment reserve		7,782	14,222
Retained earnings		(6,088)	(44,741)
Equity attributable to owners of the Company		**752,138**	**719,925**
Non-controlling interest	10	4,418	1,795
Total equity		**756,556**	**721,720**
Liabilities			
Non-current liabilities			
Loans and borrowings	9	147,338	226,838
Deferred taxation	4	5,856	5,611
		153,194	**232,449**
Current liabilities			
Loans and borrowings	9	49,333	18,361
Trade and other payables	11	40,820	31,636
Current taxation		5,930	868
		96,083	**50,865**
Total liabilities		**249,277**	**283,314**
Total equity and liabilities		**1,005,833**	**1,005,034**

CAIRN HOMES PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	Share Capital	Share Premium	Share-Based Payment Reserve	Retained Earnings	Total	Non-Controlling Interests	Total Equity
	Unaudited						
	Attributable to owners of the Company						
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
As at 1 January 2018	**828**	**749,616**	**14,222**	**(44,741)**	**719,925**	**1,795**	**721,720**
Total comprehensive income for the year							
Profit for the year	**-**	**-**	**-**	30,764	**30,764**	654	**31,418**
	-	**-**	**-**	**30,764**	**30,764**	654	**31,418**
Transactions with owners of the Company							
Conversion of founder shares to ordinary shares	-	-	(7,889)	7,889	**-**	-	**-**
Equity-settled share-based payments	-	-	1,449	-	**1,449**	-	**1,449**
Dividend paid to non-controlling shareholder	-	-	-	-	**-**	(527)	**(527)**
	-	**-**	**(6,440)**	**7,889**	**1,449**	**(527)**	**922**
Changes in ownership interests							
Investment in subsidiary by non-controlling shareholder	-	-	-	-	-	2,496	**2,496**
	-	**-**	**-**	**-**	**-**	**2,496**	**2,496**
As at 31 December 2018	**828**	**749,616**	**7,782**	**(6,088)**	**752,138**	**4,418**	**756,556**

CAIRN HOMES PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017

	Audited Attributable to owners of the Company						
	Share Capital	**Share Premium**	**Share-Based Payment Reserve**	**Retained Earnings**	**Total**	**Non-Controlling Interests**	**Total Equity**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
As at 1 January 2017	**794**	**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	-	-	(11,257)	11,257	**-**	-	**-**
Equity-settled share-based payments	-	-	700	-	**700**	-	**700**
	34	**51,883**	**(10,557)**	**9,742**	**51,102**	-	**51,102**
Changes in ownership interests							
Investment in subsidiary by non-controlling shareholder	-	-	-	-	-	1,268	**1,268**
	-	**-**	**-**	**-**	**-**	**1,268**	**1,268**
As at 31 December 2017	**828**	**749,616**	**14,222**	**(44,741)**	**719,925**	**1,795**	**721,720**

CAIRN HOMES PLC
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

	2018 Unaudited €'000	2017 Audited €'000
Cash flows from operating activities		
Profit for the year	31,418	4,979
Adjustments for:		
Share-based payments expense	1,184	700
Finance costs	15,638	8,533
Finance income	(3)	(17)
Depreciation and amortisation	330	398
Taxation	6,165	989
	54,732	**15,582**
Increase in inventories	(21,351)	(184,273)
Decrease in loan assets	-	16,000
(Increase)/decrease in trade and other receivables	(2,493)	11,475
Increase in trade and other payables	10,083	12,607
Tax paid	(858)	-
Net cash from/(used in) operating activities	**40,113**	**(128,609)**
Cash flows from investing activities		
Interest received	-	15
Purchases of property, plant and equipment	(424)	(795)
Purchases of intangible assets	(169)	(417)
Transfer from restricted cash	17,002	10,000
Net cash from investing activities	**16,409**	**8,803**
Cash flows from financing activities		
Proceeds from issue of share capital, net of issue costs paid	-	50,402
Proceeds from borrowings, net of debt issue costs	94,151	96,937
Repayment of loans	(145,559)	-
Investment in subsidiary by non-controlling shareholder	2,496	1,268
Settlement of contingent consideration for Argentum acquisition	(3,250)	-
Dividend paid to non-controlling shareholder	(527)	-
Interest and other finance costs paid	(10,404)	(5,643)
Net cash (used in)/from financing activities	**(63,093)**	**142,964**
Net (decrease)/increase in cash and cash equivalents in the year	**(6,571)**	**23,158**
Cash and cash equivalents at beginning of year	**68,803**	**45,645**
Cash and cash equivalents at end of year	**62,232**	**68,803**

CAIRN HOMES PLC
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL INFORMATION

1. Basis of preparation

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. The Company and its subsidiaries (together referred to as “the Group”) is predominantly involved in the development of residential property for sale.

The unaudited consolidated financial information covers the year ended 31 December 2018.

The Group consolidated financial information does not include all the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since 31 December 2017. They should be read in conjunction with the statutory consolidated financial statements of the Group, which were prepared in accordance with IFRS as adopted by the European Union, as at and for the year ended 31 December 2017, and the interim results for the six month period ended 30 June 2018, issued on 4 September 2018. The statutory financial statements for the year ended 31 December 2017 have been filed with the Companies Registration Office and are available at www.cairnhomes.com. The audit opinion on those statutory financial statements was unqualified and did not contain any matters to which attention was drawn by way of emphasis. The statutory consolidated financial statements of the Group for the year ended 31 December 2018 will be published in April 2019 and will be available on www.cairnhomes.com.

The new IFRS standards, amendments to standards or interpretations that are effective for the first time in the financial year ending 31 December 2018 have not had a significant impact on the Group’s reported profit or net assets in this consolidated financial information.

IFRS 15, *Revenue from Contracts with Customers*, replaced IAS 18 *Revenue Recognition* and IAS 11 *Construction Contracts* for the year ended 31 December 2018. IFRS 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The Group has assessed its contractual arrangements with customers in the current and prior periods. In respect of its residential property sales and site sales contracts, control passes to customers at legal completion and revenue is therefore recognised at that point in time. Based on the Group’s assessment of IFRS 15, it had no impact on the residential property sales or residential site sales recognised up to the end of the prior year and the current year. The Group will continue to review all contracts as they occur in the future to ensure that their treatment is consistent with IFRS 15.

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

The Group’s other accounting policies, presentation and method of computations adopted in the preparation of the consolidated financial information are consistent with those followed in the preparation of the Group’s financial statements for the year ended 31 December 2017.

The preparation of consolidated financial information 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.

1. Basis of preparation *(continued)*

The key judgements and estimates impacting this consolidated financial information are the carrying value of inventories and allocations from inventories to cost of sales (note 5).

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

The Board of Directors approved the consolidated financial information for the year ended 31 December 2018 on 6 March 2019.

2. Revenue

	2018 €'000	2017 €'000
Residential property sales	294,184	131,490
Residential site sales	41,657	16,797
Income from property rental	1,180	1,175
	337,021	**149,462**

3. Finance costs

	2018 €'000	2017 €'000
Interest expense on financial liabilities measured at amortised cost	11,085	8,141
Other finance costs	623	392
Settlement of contingent consideration – exceptional item	3,250	-
Write-off of residual arrangement fees on refinancing – exceptional item	680	-
	15,638	**8,533**

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

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

Residual unamortised arrangement fees of €0.68 million at the date of refinancing (note 9) relating to the previous term loan and revolving credit facility were charged to profit or loss in the year ended 31 December 2018.

These charges arise from non-routine transactions and have therefore been classified as exceptional finance costs (note 14).

4. Taxation

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

Deferred tax

The deferred tax liability is comprised of the following:

	2018 €'000	2017 €'000
Opening balance	5,611	5,490
Charged to profit or loss	245	121
Closing balance	**5,856**	**5,611**

5. Inventories

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

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

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 values of inventories (development land and work in progress), which are stated at the lower of cost and net realisable value, and with the methodology for the release of costs on the sale of inventory.

6. Trade and other receivables

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

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

7. Restricted cash and cash and cash equivalents

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

As at 31 December 2017, €17 million was required to be maintained in an interest-bearing blocked deposit for the duration of the Group's senior debt facilities, as part of the collateral for those facilities. All this restricted cash was released to current assets as a result of the Group's refinancing in July 2018 (note 9).

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

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

8. Share capital and share premium

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

8. Share capital and share premium *(continued)*

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

As at 31 December 2017	Number	Share Capital €'000	Share Premium €'000	Total €'000
Issued and fully paid				
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
		828	**749,616**	**750,444**

Share issues

On 16 August 2018, the Company issued 27,110,622 ordinary shares (through the conversion of 27,110,622 founder shares) to the founder group of Michael Stanley, Alan McIntosh and Kevin Stanley.

Long term incentive plan

The Group operates an equity settled Long Term Incentive Plan ("LTIP"), which was approved at the May 2017 Annual General Meeting, under which conditional awards of 3,121,413 shares have been made to employees. The shares will vest on satisfaction of service and performance conditions attaching to the LTIP. Vesting of 80% of the awards will be based on earnings per share performance and 20% will be based on total shareholder return over a 3 year period. The Group recognised costs related to the LTIP during the year ended 31 December 2018 of €1.449 million (2017: €0.64 million) of which €1.184 million (2017: €0.64 million) was charged to profit or loss and €0.265 million was included in construction work in progress within inventories.

Capital reorganisation

At the EGM held on 26 February 2019, shareholders approved a capital reorganisation resolution to reduce the Company's share premium account by €550 million, and subject to High Court approval, the reserves resulting from this cancellation are to be treated as realised profits.

9. Loans and borrowings

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

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

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

For accounting purposes, the refinancing represented (i) new borrowings from Barclays Bank Ireland plc and Pricoa Capital Group and (ii) a non-substantial modification (as defined in IFRS 9) of the borrowings from Allied Irish Banks plc and Ulster Bank Ireland DAC which reflected a market repricing of floating rate liabilities. Previously unamortised loan arrangement fees of €0.68 million at the refinance date were expensed (note 3, note 14).

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

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

10. Non-controlling interest

The non-controlling interest at 31 December 2018 of €4.4 million (31 December 2017: €1.8 million) relates to the 35% share of the net assets of a subsidiary entity, Balgriffin Cells P13-P15 DAC, and the 25% share of the net assets of a subsidiary entity, Balgriffin Investment No. 2 HoldCo DAC, both of which are held by National Asset Management Agency ("NAMA"). Cairn Homes plc holds the respective 65% and 75% holdings of the equity share capital in these subsidiaries which are involved in the development of residential property.

11. Trade and other payables

	2018 €'000	2017 €'000
Trade payables	16,064	8,193
Accruals	15,662	14,202
VAT liability	7,828	7,854
Other creditors	1,266	1,387
	40,820	**31,636**

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

12. Earnings per share

The basic earnings per share for the year ended 31 December 2018 is based on the earnings attributable to ordinary shareholders of €30.8 million and the weighted average number of ordinary shares outstanding for the period.

	2018	2017
Profit attributable to owners of the Company (€'000)	30,764	4,452
Numerator for basic and diluted earnings per share	**30,764**	**4,452**
Weighted average number of ordinary shares for period (basic)	771,848,317	724,734,096
Dilutive effect of founder shares and options	197,625	31,665,322
Denominator for diluted earnings per share	772,045,942	756,399,418
Earnings per share		
- Basic	4.0 cent	0.6 cent
- Diluted	4.0 cent	0.6 cent

The diluted earnings per share calculation for the year ended 31 December 2018 reflects an estimate of the number of ordinary shares to be issued through the founder share scheme in 2019. It is assumed, as is required under IAS 33, that the test period for the founder share conversion calculation is from 1 September 2018 to 31 December 2018, however the actual test period for determining the founder share conversion in 2019 will be from 1 March 2019 to 30 June 2019. Based on the assumed test period, no founder shares would be issued as the relevant performance condition was not met.

Additional ordinary shares may be issued under the founder share scheme in future periods up to and including 2022 if the performance condition under the rules of the scheme is reached.

The diluted earnings per share calculation also reflects the dilutive impact of share options and LTIP awards.

12. Earnings per share *(continued)*

Adjusted earnings per share

	2018	**2017**
Profit attributable to owners of the Company (€'000)	30,764	4,452
Exceptional items (note 14)	3,930	497
Tax effect of exceptional items	(491)	-
Adjusted profit for purposes of calculating adjusted EPS	**34,203**	**4,949**
Weighted average number of ordinary shares for period (basic)	771,848,317	724,734,096
Adjusted earnings per share – basic	4.4 cent	0.7 cent

Adjusted earnings per share is 4.4 cent (2017: 0.7 cent). The only adjustment to basic earnings per share is to exclude the exceptional items (net of their tax effect) (note 14).

13. Dividends

There were no dividends declared or 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 this consolidated financial information.

A dividend of €0.5 million was paid by the Company's subsidiary, Balgriffin Cells P13-P15 DAC, to NAMA in respect of its 35% shareholding.

14. Exceptional items

Year ended 31 December 2018

The terms of the agreements for the Argentum acquisition in 2016 included contingent consideration which could be payable in certain circumstances in relation to the Swords site. The exceptional finance cost of €3.25 million (note 3) in 2018 relates to the settlement of this contingent consideration which was agreed with the Argentum vendors during the year. This is required to be charged to profit or loss in the consolidated financial statements in accordance with IFRS 3 *Business Combinations*.

Residual unamortised arrangement fees at the date of the refinancing (note 3, note 9) of €0.68 million relating to the previous term loan and revolving credit facility were charged to profit or loss in the year.

These charges arise from non-routine transactions and have therefore been classified as exceptional items.

Year ended 31 December 2017

In the prior year, transaction costs of €0.5 million, incurred in connection with the Euronext Dublin listing in July 2017, were charged to profit or loss. As the listing of the Group is a non-routine transaction, these costs were classified as an exceptional item.

15. Related party transactions

There were no related party transactions during the year other than Directors' remuneration.

16. Commitments and contingent liabilities

On 27 June 2018, the Group agreed to sell its prime Dublin City Centre premium apartment development at Six Hanover Quay (120 apartments, a 5,000 sq. ft. restaurant and 1,400 sq. ft. café) on completion for a total cash consideration of €101 million (€89.7 million excluding VAT). Construction activity is ongoing with legal completion scheduled for 2019.

At 31 December 2018, the Group had a contingent liability in respect of construction bonds in the amount of €2.2 million.

At 31 December 2018, the Group had entered into contracts to acquire two sites at a cost of €9.0 million. Subsequent to the year end, the Group completed these transactions.

The Group is not aware of any other commitments or contingent liabilities that should be disclosed.

17. Events after the year end

In December 2018, the Group entered into an investment venture agreement with NAMA creating a vehicle aiming to build in excess of 550 new homes on a 14.5 acre site adjoining the Company's Parkside development, off the Malahide Road, Dublin 13. Under the investment venture agreement, a new company, Balgriffin Investment No.2 HoldCo DAC, owned 75% by the Group and 25% by NAMA (note 10), acquired the site in January 2019.

At the EGM held on 26 February 2019, shareholders approved a capital reorganisation resolution to reduce the Company's share premium account by €550 million, and subject to High Court approval, the reserves resulting from this cancellation are to be treated as realised profits.

CAIRN HOMES PLC
COMPANY INFORMATION

Directors
John Reynolds (Non-Executive Chairman)
Michael Stanley (Chief Executive Officer)
Tim Kenny (Group Finance Director)
Alan McIntosh (Non-Executive, British)
Gary Britton (Non-Executive)
Giles Davies (Non-Executive, British)
Andrew Bernhardt (Non-Executive, British)
Jayne McGivern (Non-Executive, British)
David O'Beirne (Non-Executive)

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