CAIRN PLC

4 September 2018

Cairn Homes plc
Interim Results for the six months ended 30 June 2018
Scale achieved to meet the enormous demand for new homes

Dublin/London 4 September 2018: Cairn Homes Plc *(LSE/ISE: CRN)* ("Cairn", "the Company", or "the Group"), the Irish homebuilding company, today announces our interim results for the six months ended 30 June 2018.

HIGHLIGHTS

Financial

- Strong revenue growth to €130.2 million (H1 2017: €41.2 million).
- Gross profit margin of 20.0% (H1 2017: 18.7%). Gross profit of €26.1 million (H1 2017: €7.7 million).
- Sevenfold growth in operating profit to €18.1 million (H1 2017: €2.5 million after exceptional items of €0.5 million).
- 293 closed sales in H1 2018 at an average selling price (ASP) of €393,000 excluding VAT (221 houses - €326,000: 72 apartments - €599,000) (H1 2017: 94 closed sales at an ASP of €280,000 excluding VAT).
- As at 3 September 2018, total closed sales year to date of 399 units and forward sales of 517 units comprising:
  - Housing: 327; and
  - Apartments: 190 units (including 120 apartments at Six Hanover Quay and 33 student apartments at Blackhall Place);

  Current forward sales have a net sales value of €221.2 million, the majority of which will close this year with the exception of Six Hanover Quay which is scheduled to complete as a single transaction in Q1 2019.
- Completed a €350 million debt refinancing after the period end which provides greater flexibility, reduces our finance costs and extends the maturity profile of our debt.
- As Cairn transitions to a significantly more profitable business with distributable reserves, a first dividend will be paid from 2019 profits.

Operational

- The Company is active on 13 developments (31 December 2017: 11 developments) which will deliver over 3,750 new homes, with 4 further site commencements anticipated over the next 6-12 months.
- 11 of our large planning applications (c. 3,500 units) have utilised either the new single step Strategic Housing Development (SHD) planning process or the Strategic Development Zone (SDZ) fast track planning process with seven granted full planning permission (c. 1,900 units). Six additional planning applications (c. 2,500 units) will enter the SHD process this year.
- Contracted in June 2018 to sell our landmark Six Hanover Quay development in Dublin City Centre on completion for €101 million (€89.7 million excluding VAT) with legal completion scheduled for Q1 2019.
- Completed our first student apartment development at Blackhall Place (Dublin 7) following a €6 million redevelopment of 33 apartments (112 beds). The Company has agreed to dispose of this completed development as well as two other student apartment developments for a total consideration of €45 million. This transaction is expected to complete in H2 2018.

- Completed the sale of all 71 units on our joint development with NAMA at Parkside (North Dublin). Further joint development opportunities are being pursued.
- Annualised build cost inflation for our operations in the last 12 months has been 2.9%. House price inflation has averaged 4.7% on our active housing developments and 7.5% on our active apartment developments in the same period.
- The Company has entered into a partnership with Kingspan Group plc for the supply of off-site manufactured (OSM) timber frame structures for our housing division. The Company will continue to use both traditional and OSM building methods depending on site location and scale.
- Cairn has announced that the Group's Co-Founder, Alan McIntosh, has decided to step down from his executive role. We are very pleased that he will remain on the Board as a non-executive Director. Alan, as a non-executive Director, will continue to play an important role in the strategic development of the Company.
- Cairn is proud to be now supporting over 2,500 jobs across our active sites.

Financial Highlights	**6 months ended June 2018 €'000**	**6 months ended June 2017 €'000**
Revenue	130,214	41,178
Gross Profit	26,077	7,703
Operating Profit	18,098	3,034[1]
	As at 30 June 2018 €'000	**As at 31 December 2017 €'000**
Inventories (Land & WIP)	950,728	911,496
Total Equity	730,276	721,720
Net Debt	176,324	159,394

[1] Before exceptional items of €0.5 million in 2017

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

"We are experiencing levels of demand for our quality new homes exceeding our expectations. Our business has matured and in 2018 we expect to generate revenues of €350 million in only our third full year of operations. This is a remarkable achievement by our talented team. Today we are increasing our medium term target to c. 1,400 to 1,500 units annually from 2021. Our strong profit and cash generation this year and in 2019 will enable us to pay our first dividend to our shareholders."

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There will be an Analyst and Investor call today 4 September 2018 at 8.30am hosted by Michael Stanley, Co-Founder and CEO and Tim Kenny, Group Finance Director. Please use the numbers below, quoting the following Conference ID: 32075395#:

Ireland
- Toll free – 1800 936 842

UK
- Toll free – 0808 237 0030

US
- Toll free – 1866 928 7517

International
- Toll – +44 (0) 203 139 4830

Notes to Editors
Cairn Homes plc is an Irish homebuilder committed to building high-quality sustainable homes in excellent locations and providing exceptional customer service at each stage of the home-buying journey. Cairn's highly experienced management team has a clear vision of delivering innovative and thoughtfully designed homes which meet market demand and enhance communities by placing home owners at the very centre of the design process. The Company owns 34 residential development sites with capacity for c. 14,500 additional new homes, with over 90% of those units located in the Greater Dublin Area (GDA) with excellent public transport and infrastructure links. Cairn is today building on 13 development sites in the GDA, which will deliver over 3,750 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 the Irish Stock Exchange or by the listing rules of the UK Listing Authority, to reflect new information, future events or otherwise.

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. This objective is underpinned by a very favourable Irish macroeconomic backdrop which continues to improve. By doing this, the Company will maximise the opportunities which exist in the Irish new homes residential property market and deliver substantial shareholder value. This strategy is supported by our vision to be the most trusted and respected homebuilder in Ireland through operating our business under five strategic pillars:

1. Customers – make the home buying journey exceptionally positive for all of our customers;
2. Homes – design and build brilliant homes;
3. Places – create places for communities to prosper;
4. People – attract and retain the best talent in the market; and
5. Operational Excellence – leverage a commercial operational platform.

Since IPO in June 2015, Cairn has moved at pace in assembling a unique c. 14,500 unit land bank, maximising the development potential of each individual site through planning enhancements and commencing a substantial construction programme in housing and apartments which is expected to deliver up to 4,000 closed sales in the four and a half years from IPO to 2020. This focus will enable us to achieve considerable growth in profitability and generate cash returns to shareholders in the near term.

Financial Review

Revenues in the first six months of 2018 increased to €130.2 million (H1 2017: €41.2 million), which is an increase of €89.0 million year-on-year. These revenues included €115.2 million from 293 unit sales (H1 2017: €26.3 million from 94 unit sales) and €14.4 million from non-core site sales (H1 2017: €14.1 million).

Gross margin increased significantly to 20.0% (H1 2017: 18.7%). Gross profit of €26.1 million (H1 2017: €7.7 million).

Operating profit grew to €18.1 million (H1 2017: €2.5 million, after €0.5 million exceptional costs), an increase of €15.6 million.

Net finance costs (excluding an exceptional cost of €3.25 million) for the six months were €5.9 million (H1 2017: €2.9 million), reflecting increased drawn debt levels as a result of site acquisitions (including the Montrose site) and increasing construction work in progress. In accordance with IFRS 3, a contingent consideration settlement of €3.25 million was charged to profit or loss in the period ended 30 June 2018 in respect of the Swords site acquired as part of the Argentum acquisition in 2016. This is a non-routine transaction which is non-recurring and has been classified as an exceptional finance cost.

Inventories as at 30 June 2018 of €950.7 million (31 December 2017: €911.5 million) comprise land held for development of €796.2 million (31 December 2017: €788.8 million), construction work in progress of €151.4 million (31 December 2017: €104.5 million) and development land collateral of €3.1 million (31 December 2017: €18.2 million). The investment in work in progress reflects the significant increase in development activity during the period, with the Company now active on 13 developments (31 December 2017: 11 developments).

Net debt of €176.3 million at 30 June 2018 (31 December 2017: €159.4 million) comprised of drawn debt of €239.7 million (net of unamortised arrangement fees and issue costs) (31 December 2017: €245.2 million), available cash of €46.4 million (31 December 2017: €68.8 million) and restricted cash of €17.0 million (31 December 2017: €17.0 million).

After the period end, Cairn successfully completed a debt refinancing of our existing €200 million senior debt facility with Allied Irish Banks plc and Ulster Bank Ireland DAC 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. Additionally, the Company completed a €72.5 million Private Placement of Loan Notes with Pricoa Capital Group. The refinance has enabled the Company to build on our pool of banking partners with the addition of Barclays Bank Ireland plc and the Private Placement with Pricoa Capital Group. The new facilities provide additional financial flexibility in supporting the growth of our business as well as reducing our finance costs and extending the maturity profile of our debt.

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. Under the approved terms of the Founder Share Scheme, the founders are entitled to 20% of total shareholder return generated each year up to and including 30 June 2022, subject to achieving a 12.5% annual compounding hurdle rate.

OPERATIONS REVIEW

Sales

The Company delivered 293 unit legal completions in H1 2018 at an ASP of €393,000 comprising 221 houses (ASP €326,000) (H1 2017: 94 houses at an ASP of €280,000) and 72 apartments (ASP €599,000) (all excluding VAT).

Cairn has a strong forward sales pipeline as of 3 September 2018 of 517 units with a sales value of €221.2 million and an ASP of €428,000 (all excluding VAT). The current forward sales pipeline strongly underpins remaining H2 2018 completions. The increase in ASP in the Company's forward sales pipeline (€374,000 as at 5 March 2018) reflects enhanced mix and increasing sales prices across all active developments (including the 120 apartments at Six Hanover Quay at an ASP of €705,000 each) (all excluding VAT). The forward sales pipeline will be enhanced by Autumn 2018 sales launches across our eight selling developments.

The breadth of the Company's construction activities from affordable, starter homes in suburban locations to premium apartments in Dublin City Centre appeals to a broad range of buyers. Market conditions have remained very favourable in 2018 and the Company believes that ongoing supply constraints will result in the demand for new homes continuing to outstrip supply in the medium term.

Demand for the Company's starter home developments is growing across all locations, with strong sales absorption rates maintained across all selling developments and an average weekly sales rate of 3.1 units per development since the first formal sales launch. Improving affordability and an increasingly competitive mortgage market is resulting in more sustained demand for well designed, quality and competitively priced starter homes in locations where mortgage-backed first-time buyers desire to live.

With sales absorption rates increasing across all active housing development sites, building on sites which have an average of 425 units allows Cairn to respond quickly to increased demand by increasing and accelerating construction. With phase 1 of Shackleton Park (Lucan) nearing completion (267 units), the construction of phase 2 (268 units) and the adjacent Airlie Stud (237 units) has commenced in the year to date to meet strong demand in an established and popular starter home location.

Cairn is now actively selling across eight separate developments and the Company delivered completed sales across seven separate developments in the GDA in H1 2018 – Parkside (Malahide Road); Cairn's joint development with NAMA adjoining Parkside; Churchfields (Ashbourne); Shackleton Park (Lucan); Glenheron (Greystones); Albany (Killiney); and the award-winning apartment development at Marianella (Rathgar). In addition, sales completions at Elsmore (Naas) commenced in early H2 2018.

Sales at Glenheron (Greystones), a trade up/down development, have been strong. This development was formally launched to the market in April 2018 and 48 units, including the remaining 23 units in Phase 1, with a gross sales value of €25 million sold on the first day. The Company's award-winning Marianella apartment development continues to sell well, with strong ongoing demand from purchasers seeking to trade down as well as from investors and young professionals.

Cairn recently completed the sale of the final unit in the 71 unit joint development with NAMA at Parkside (Malahide Road). This successful development is now complete, just over a year after construction commenced at the end of Q1 2017.

As announced on 28 June 2018, the Company has agreed to sell our landmark Dublin City Centre premium apartment development at Six Hanover Quay (120 apartments, a 5,000 sq. ft. restaurant and 1,400 sq. ft. café) for a total cash consideration of €101 million (€89.7 million excluding VAT). Legal completion is scheduled for Q1 2019. The contracted sale is a considerable achievement for the Cairn team. The agreement to sell Six Hanover Quay to an Irish real estate investment manager, and the interest which the formal sales process generated amongst international institutional investors and private rental sector operators seeking exposure to the Irish residential market recovery, has broadened Cairn's buyer pool for our other well-located developments.

The Company has also agreed to dispose of the refurbished student apartment development at Blackhall Place (Dublin 7) following a €6 million redevelopment of 33 apartments (112 beds) as well as two other student apartment developments for a total consideration of €45 million. This transaction is expected to complete in H2 2018 and will deliver a strong profit and cash return.

The Company will manage our residual non-core sites through an ongoing and measured disposal programme with total realised revenue of €14.4 million in H1 2018 (H1 2017: €14.1 million). The Company will dispose of a small number of remaining non-core sites over the near-term.

Construction Activity

The Company continued to make significant progress in our construction activities during the first six months of the year and commenced four new developments at Airlie Stud (Lucan), Oak Park (Naas), Cork Street (Dublin 8) and a €6 million redevelopment of Blackhall Place (Dublin 7). In addition, the Company commenced the construction of new phases at our Parkside (Malahide Road), Glenheron (Greystones) and Shackleton Park (Lucan) developments in the first half of 2018, while construction of our apartment development at Donnybrook Gardens is progressing well. Construction of our joint development with NAMA at Parkside (Malahide Road) finished at the end of Q2 2018. The Company is now active on 13 developments which will deliver up to 3,750 residential units, with our average active housing development containing 425 residential units and our average active apartment development containing 120 residential units.

Cairn is a developer contractor. Our directly employed site management teams, in conjunction with central functions, manage and control a strong supply chain and a well-established subcontractor base, many of whom work across several active Cairn developments. Subcontractors tender on a "supply and fit" basis and Cairn proactively manages cost inflation through direct procurement strategies, initiatives and fixed term framework agreements. Our experience of build cost inflation in the last 12 months is low single digit (c. 2.9%). This is significantly below the SCSI Tender Price Index (7.5% in the 12 months to June 2018) and reflects our business model and the strong, established relationships with our subcontractor base. We carefully monitor build cost inflation and continuously seek out innovative ways to ensure we achieve the lowest cost without compromising quality. Direct construction costs which are subject to build cost inflation account for on average c. 50 – 55% of net sales prices.

The Company's practice is to acquire and build on larger scale housing developments which enables us to deliver economies of scale through direct and indirect procurement efficiencies and amortising fixed site costs (site works, preliminaries, site accommodation, machinery and professional fees) over longer-term, multi-year, multi-phase construction programmes. The same site management teams and subcontractors work more effectively and efficiently together as they progress through each phase, and given the uniform nature of a number of our starter home developments, subcontractors become more familiar with the limited number of unit types as they progress through phases. Operational efficiencies are achieved by standardisation across our starter home developments which are further complimented by the use of both traditional and new off-site construction methods, including timber frame construction across a number of our active developments. The Company estimates that c. 30% of all houses constructed over the next two years will be off-site modular constructed units.

The continually improving efficiency of Cairn's construction activities, and importantly evidence of tightly managed costs, can be seen in the Company's impressive gross margin progression.

Land and Planning

The Company's confidence in achieving our medium-term run-rate of c. 1,400 to 1,500 sales completions annually from 2021 is underpinned by the great locations of the sites within our c. 14,500 unit wholly owned land bank, and more importantly the fact that in excess of 97% of these units either have the benefit of full planning permission, are residentially zoned or are within a strategic development zone.

Cairn's strategic approach to assembling this unique land bank, our demonstrable core strength in planning expertise and the favourable planning environment in Ireland (with the SHD fast-track, one step planning process for housing developments greater than 100 units now up and running in earnest) is resulting in the constant conversion of sites from the Company's land bank into active development sites. This supports our substantial growth plans. The Company's strong track record in delivering planning gains continues and 11 of our large planning applications (c. 3,500 units) have utilised the single step SHD or fast-track SDZ process;

- 7 applications granted full planning permission (c. 1,900 units) including Cork Street (Dublin 8), Mariavilla (Maynooth) and Blakes (Stillorgan) through the SHD process in 2018;
- 4 applications are in the SHD process (c. 1,600 units) - a starter home development at Citywest (Dublin 24) and apartment developments at Montrose (Dublin 4), Cross Avenue (Blackrock) and Griffith Avenue (Dublin 9) with formal planning applications to be submitted on each over the coming months.

A further pipeline of six SHD planning application submissions are also well progressed. In the year to date, 1,631 units have been granted full planning permission. As a result of the further progress achieved in the first half of 2018, Cairn expects to deliver an extra c. 700 units on our existing sites by maximising densities through planning enhancements (in addition to the c. 1,900 incremental units added in 2017). 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.

Following the announcement by the Government of new apartment design guidelines in February 2018, the draft guidelines for "Urban Development and Building Heights – Guidelines for Planning Authorities" were issued in August 2018. The guidelines are intended to set a more responsive policy and regulatory framework for planning the growth and development of cities and towns upwards, rather than outwards. They propose the removal of numerical height caps and promote higher density in areas that are well connected with good public transport accessibility. An important feature of the draft guidelines is a policy shift away from traditional, two storey own-door residential developments to a greater mix of higher density housing typologies and a greater mix of building heights, on the basis that both density and heights will be appropriate to their location. All of this supports the Company's ongoing work to maximise the value of our land bank, across both housing and high density apartment sites, with higher densities already achieved on a number of sites, including Blakes (Stillorgan), where planning permission was granted for heights reaching nine storeys in parts of the development.

Cairn acquired the majority of our well-located land bank at attractive prices within nine months of our June 2015 IPO. Since then, the Company has made considerable progress in increasing the value of our land bank. Cairn's land acquisitions have been at a low level for the last 15 months. The Company is very well positioned in terms of the size, historical cost (which compares favourably to the high cost of land acquisitions witnessed in the market over the past 12 months) and locations of our development sites.

The Company's reduced level of site acquisitions in 2018 is reflective of our evolving acquisition strategy, with a focus on sites adjoining existing sites, and the fact that we have already acquired the majority of the land which we need to deliver on our strategic objectives. Cairn is exploring further joint development opportunities and also anticipates that a number of strategic high-density apartment sites in and around Dublin City Centre, which may benefit from the Government's new building height strategy, will be brought to the market in the medium term and will consider these sites as and when they are brought to market.

Health and Safety

The Company is fully committed to the highest standards of health and safety on our sites. The health and safety of employees, subcontractors, customers and the general public is 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 the Company retains an independent external auditor to undertake a monthly audit of health and safety practices and management across all active sites.

The Cairn Team

The Company's headcount at 30 June 2018 was 154 (31 December 2017: 126). The Company has assembled a team with the requisite skills, experience and expertise to deliver our medium-term objectives.

MARKET CONDITIONS

Economy

The Irish economy is one of the fastest growing economies in the euro area for a fifth consecutive year in 2018 (source: European Commission). Employment reports point to ongoing strong momentum with the total number of people employed growing by 3.4% in the year to June 2018 and the unemployment rate falling to 5.9% in July 2018, the lowest rate since October 2007 (source: CSO). Consumer spending is growing (2.2% in the year to March 2018) (source: CSO), all underpinning future GDP growth forecasts of 5.0% in 2018, 3.5% in 2019 and 3.1% in 2020 (source: Goodbody – Irish Economy Q2 2018 Health Check).

Residential Property Market

The medium-term demand for new homes in Ireland is 30,000 units (source: ESRI). Goodbody estimate current annual demand at c. 35,000 new homes and Davy estimate c. 36,000 – 53,000 new homes. The Company believes that the GDA alone requires c. 25,000 new homes per annum driven by a growing population, increasing employment, annual obsolescence and years of chronic undersupply. 16,274 new homes were built nationally in the year to June 2018 (source: CSO New Dwelling Completions Q2 2018), including 11,777 new homes in multi-unit developments. Goodbody currently estimate that, based on current trends, there will be 18,000 new completions in 2018, roughly half the estimated level of annual housing demand. Current levels of residential construction activity are still not meeting the needs of a growing population and expanding economy.

Headline house price inflation (HPI) was 12.0% nationally (Dublin – 9.0%; Rest of Ireland – 15.2%) in the 12 months to June 2018 (source – CSO). Eurostat, the statistical office of the EU, report that 12.3% national HPI in the year to March 2018 was split 8.6% new homes and 12.9% existing homes. House price inflation on our active developments has averaged 5.3% in the last 12 months.

Dublin prices remain 22% behind peak 2007 levels (source: CSO), whilst rents are now 34% above their peak levels (source: Daft.ie Q2 2018 Rental Price Report). The rental crisis continues unabated, the level of stock available to rent remains close to record low levels and rents are increasing across the country, and in Dublin in particular (up 13.4% in the year to June 2018) (source - Daft.ie Q2 2018 Rental Price Report). It is significantly more expensive to rent than own and finance a starter home in Dublin. The Company estimates that the gap in the cost of owning against renting has grown from €494 per month or 37.3% in March 2018 to €578 per month or 42.1% today (and having increased from 32.5% in September 2017). This is reflective of the spiralling rents which prospective first time buyers are being forced to pay while simultaneously trying to save for a deposit for their first home. The Company is ideally positioned to continue to offer high quality new homes at competitive prices which attract customers who are paying these excessive rents.

Mortgage Market

Competition in the Irish mortgage market is continuing to have a positive impact on access to mortgages, particularly for first time buyers. However, Irish mortgage interest rates remain nearly twice the EU average (1.78%) with an average 3.29% interest rate charged on all variable rate mortgage drawdowns and 3.11% on all fixed rate mortgage drawdowns in the first 6 months of 2018 which suggests further scope for a reduction in Irish mortgage rates as competition continues (source: CBI Retail Interest Rates – June 2018).

The value of mortgage drawdowns rose by 24.2% in the year to June 2018 to €8.0 billion, while mortgage approval values increased by 15.4% to €9.8 billion in the same period (Source: BPFI Mortgage Approvals June 2018 and BPFI Mortgage Drawdowns June 2018). Full year 2018 mortgage drawdowns are forecast to increase by 21% to €8.8 billion (source: Goodbody – Irish Economy Q2 2018 Health Check). The ongoing strength of approvals indicates that the value of mortgage drawdowns is increasing, however the continued shortage of housing for mortgage approved customers will depress conversion rates (volume of mortgages drawdown as a percentage of the volume of mortgages approved). The conversion rate in the year to June 2018 was 81% compared to 82% in the year to June 2017 and 86% in the year to June 2016 (source – BPFI).

Government Initiatives

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 welcome initiatives have been implemented to date, including the launch of 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 SHD 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 new National Planning Framework, known as "Project Ireland 2040", was launched in early 2018 and 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.

New apartment design guidelines were announced in March 2018 and the Company welcomes the issuance of new draft guidelines for "Urban Development and Building Heights – Guidelines for Planning Authorities" in August 2018, which remove numerical height caps and actively encourages higher density developments.

The supply of affordable starter homes in Dublin remains constrained. The average price of a new home sold in Dublin in H1 2018 was €419,000 incl. VAT (source: 2018 Property Price Register), and of the 2,082 new homes sold in Dublin in the period, only c. 51% were priced below €350,000.

OUTLOOK

Market conditions are very positive and the Company is making significant progress in executing our strategy as evidenced by the current level of construction activity across our housing and high density apartment sites and the quantum of our forward sales pipeline.

The Company reiterates our expectation of completing 800+ unit sales and generating revenue of in excess of €350 million in 2018.

The fundamentals of the business remain strong, and the Company looks forward to significant growth in sales, profit and cash generation. The Company is increasing the medium term target to revenue of c. €550 million from c. 1,400 to 1,500 sales units annually from 2021. Cairn expects to generate substantial cash and profits in the 2018 and 2019 financial years which will enable the Company to declare and pay our first dividend to our shareholders.

CAIRN HOMES PLC
PRINCIPAL RISKS AND UNCERTAINTIES

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

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. The Company is monitoring the position on the possible changes to the Help to Buy income tax rebate scheme.
Health & Safety Health and safety breaches can result in injuries to Cairn staff or subcontractors operating on Cairn sites and/or result in delays in construction or increased costs, in addition to reputational damage and potential litigation.	The Health and Safety department operates independently of the construction division and reports directly to senior management in order to maintain independence. Health and safety is also a standing item on the Audit and Risk Committee and Board agendas. Reportable and non-reportable incidents are measured across sites and reported to management and the Board on a regular basis in order to track trends across and within sites. A strong health and safety culture exists across the organisation. A formalised (industry standard) Safe-T Cert system has been implemented, which incorporates a robust management system and includes monthly independent safety audits and scoring of results.
Availability and Strength of Subcontractors The risk that the Company is unable to attract the right quantity and quality of subcontractors, which are critical to the construction and delivery of the Company's new homes, due to the outsourced business model applied by the Company.	Supply agreements with subcontractors are fixed for all, or a significant portion of each scheme, in order to ensure that supply is guaranteed. Given the size of the Company's land bank and its position in the marketplace, it is a very attractive client for subcontractors. Senior and middle management have many years of experience in the industry and strong relationships with and knowledge of key subcontractors. The Company ensures payments are made on time to subcontractors in order to maximise their liquidity as they scale their operations in conjunction with the Company. A panel of approved subcontractors is in place and circulated on all relevant tenders.

CAIRN HOMES PLC
PRINCIPAL RISKS AND UNCERTAINTIES *(continued)*

Risk Description	Mitigation
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 LTIP plan further incentivises and aligns staff to Company 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. The Company utilises a talent acquisition recruitment specialist to ensure recruitment of high quality staff.
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 Company.	Financial controls and policies in place in order to manage risks across the key areas. Support Office personnel with direct site operational knowledge in place in order to monitor site activity and site costs. 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 Company 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 Company's liquidity position. The risk that failure to comply with the Company'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 its cash flow requirements for the next 3 years. The Company prepares regular forecasts that look at both its short-term and longer-term requirements. 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.

CAIRN HOMES PLC
PRINCIPAL RISKS AND UNCERTAINTIES *(continued)*

Risk Description	Mitigation
Government Policy including Planning Regulations Inability to adhere to the complex and stringent regulatory environment that applies to the building industry. Risk that the Government and planning authorities will introduce new legislation or legislative changes that result in material cost, or time delays for the Company.	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 new homes the Company builds. Participation in industry advocacy groups. The changes to the planning regime and the establishment of the Strategic Housing Development planning process (involving a one step process with An Bord Pleanála for all sites delivering greater than 100 residential units), enacted into legislation in June 2017, have ensured that the timeframe to obtain planning permission on large sites has reduced.
Programme Risk/Project Planning The risk that the Company 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 on-site meetings attended by site management teams and senior management. The construction programme is linked clearly to the sales programme, with regular analysis by site comparing sales status with forecast completion dates. Key oversight personnel in place across all projects.
Availability and Quality of Materials The risk that the Company is unable to source the materials it requires at the right time and at the best price, due to availability and volume constraints, or risk that subcontractors utilise poor quality, prohibited or dangerous materials.	Current size and growth prospects make the Company an attractive customer for suppliers. Continued scaling of the business should ensure that the Company has access to necessary materials at competitive prices. Framework agreements in place with key suppliers providing certainty over supply and pricing. There is strong quality monitoring through on-site engineers and materials are tested at concrete plants and on site.

CAIRN HOMES PLC
STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE HALF-YEARLY FINANCIAL REPORT
For the six month period ended 30 June 2018

The Directors are responsible for preparing this interim management report in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU, the Transparency (Directive 2004/109/EC) Regulations 2007 ("the Transparency Directive"), and the Transparency Rules of the Central Bank of Ireland.

In preparing the interim financial information, the Directors are required to:
- prepare and present the interim financial information in accordance with IAS 34 Interim Financial Reporting as adopted by the EU, the Transparency Directive, and the Transparency Rules of the Central Bank of Ireland;
- ensure the interim financial information has adequate disclosures;
- select and apply appropriate accounting policies; and
- make accounting estimates that are reasonable in the circumstances.

The Directors are responsible for designing, implementing and maintaining such internal controls as they determine are necessary to enable the preparation of interim financial information that is free from material misstatement whether due to fraud or error.

We confirm that to the best of our knowledge:

(1) the condensed set of financial statements in the half-yearly financial report of Cairn Homes plc ("the Company") for the six months ended 30 June 2018 ("the interim financial information") which comprises the condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and the related explanatory notes, have been presented and prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union.

(2) The interim financial information presented, as required by the Transparency Directive, includes:
   a. an indication of important events that have occurred during the first 6 months of the financial year, and their impact on the condensed set of financial statements;
   b. a description of the principal risks and uncertainties for the remaining 6 months of the financial year;
   c. related party transactions that have taken place in the first 6 months of the current financial year and that have materially affected the financial position or the performance of the enterprise during that period; and
   d. any changes in the related party transactions described in the last annual report that could have a material effect on the financial position or performance of the enterprise in the first 6 months of the current financial year.

On behalf of the board

Michael Stanley	Tim Kenny
Chief Executive Officer	Group Finance Director

CAIRN HOMES PLC

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the six month period ended 30 June 2018

		For six month period ended 30 June 2018			For six month period ended 30 June 2017		
	Note	Before Exceptional Items €'000	Exceptional Items (Note 15) €'000	Total €'000	Before Exceptional Items €'000	Exceptional Items (Note 15) €'000	Total €'000
Continuing operations							
Revenue	2	130,214	-	**130,214**	41,178	-	**41,178**
Cost of sales		(104,137)	-	**(104,137)**	(33,475)	-	**(33,475)**
Gross profit		26,077	**-**	**26,077**	7,703	**-**	**7,703**
Other income	3	-	-	**-**	523	-	**523**
Administrative expenses		(7,979)	-	**(7,979)**	(5,192)	(500)	**(5,692)**
Operating profit		18,098	-	**18,098**	3,034	(500)	**2,534**
Finance income		4	-	**4**	12	-	**12**
Finance costs	4	(5,900)	(3,250)	**(9,150)**	(2,938)	-	**(2,938)**
Profit/(loss) before taxation		12,202	(3,250)	**8,952**	108	(500)	**(392)**
Tax (charge)/credit	5			**(946)**			**120**
Profit/(loss) for the period				**8,006**			**(272)**
Other comprehensive income				**-**			**-**
Total comprehensive income/(loss) for the period				**8,006**			**(272)**
Profit/(loss) attributable to:							
Owners of the Company				7,508			**(272)**
Non-controlling interests				498			**-**
Profit/(loss) for the year				**8,006**			**(272)**
Basic earnings/(loss) per share	13			**0.99 cent**			**(0.04 cent)**
Diluted earnings/(loss) per share	13			**0.95 cent**			**(0.04 cent)**

CAIRN HOMES PLC
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
As at 30 June 2018

		30 June 2018	31 Dec 2017
		Unaudited	Audited
Assets	**Note**	**€'000**	**€'000**
Non-current assets			
Property, plant and equipment		1,402	1,372
Intangible assets		860	821
Restricted cash	8	17,002	17,002
		19,264	**19,195**
Current assets			
Inventories	6	950,728	911,496
Trade and other receivables	7	5,553	5,540
Cash and cash equivalents	8	46,423	68,803
		1,002,704	**985,839**
Total assets		**1,021,968**	**1,005,034**
Equity			
Share capital	9	828	828
Share premium	9	749,616	749,616
Share-based payment reserve		14,772	14,222
Retained earnings		(37,233)	(44,741)
Equity attributable to owners of the Company		**727,983**	**719,925**
Non-controlling interest	11	2,293	1,795
Total equity		**730,276**	**721,720**
Liabilities			
Non-current liabilities			
Loans and borrowings	10	227,923	226,838
Deferred taxation	5	5,273	5,611
		233,196	**232,449**
Current liabilities			
Loans and borrowings	10	11,826	18,361
Trade and other payables	12	44,805	31,636
Current taxation		1,865	868
		58,496	**50,865**
Total liabilities		**291,692**	**283,314**
Total equity and liabilities		**1,021,968**	**1,005,034**

CAIRN HOMES PLC
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the six month period ended 30 June 2018

	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 2018	**828**	**749,616**	**14,222**	**(44,741)**	**719,925**	**1,795**	**721,720**
Total comprehensive income for the period							
Profit for the period	**-**	**-**	**-**	7,508	**7,508**	498	**8,006**
	-	**-**	**-**	**7,508**	**7,508**	**498**	**8,006**
Transactions with owners of the Company							
Equity-settled share-based payments	-	-	550	-	**550**	-	**550**
	-	**-**	**550**	**-**	**550**	-	**550**
As at 30 June 2018	**828**	**749,616**	**14,772**	**(37,233)**	**727,983**	**2,293**	**730,276**

CAIRN HOMES PLC
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the six month period ended 30 June 2017

	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 loss for the period							
Loss for the period	**-**	**-**	**-**	(272)	**(272)**	-	**(272)**
	-	**-**	**-**	**(272)**	**(272)**	-	**(272)**
Transactions with owners of the Company							
Issue of ordinary shares for cash	34	51,883	-	-	**51,917**	-	**51,917**
Share issue costs	-	-	-	(1,282)	**(1,282)**	-	**(1,282)**
Equity-settled share-based payments	-	-	121	-	**121**	-	**121**
	34	**51,883**	**121**	**(1,282)**	**50,756**	-	**50,756**
Changes in ownership interests							
Investment in subsidiary by non-controlling shareholders	-	-	-	-	-	1,268	**1,268**
	-	**-**	**-**	**-**	**-**	**1,268**	**1,268**
As at 30 June 2017	**828**	**749,616**	**24,900**	**(60,489)**	**714,855**	**1,268**	**716,123**

CAIRN HOMES PLC
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
For the six month period ended 30 June 2018

	For the six month period ended 30 June 2018 €'000	For the six month period ended 30 June 2017 €'000
Cash flows from operating activities		
Profit/(loss) for the period	8,006	(272)
Adjustments for:		
Share-based payments expense	550	121
Finance costs	9,150	2,938
Finance income	(4)	(12)
Depreciation and amortisation	158	178
Taxation	946	(120)
	18,806	**2,833**
Increase in inventories	(39,128)	(39,195)
Increase in deposits paid	-	(10,750)
Increase in trade and other receivables	(13)	(5,609)
Increase in trade and other payables	11,286	11,465
Tax paid	(287)	-
Net cash used in operating activities	**(9,336)**	**(41,256)**
Cash flows from investing activities		
Interest received	-	12
Purchases of property, plant and equipment	(227)	(559)
Purchases of intangible assets	(104)	(261)
Net cash used in investing activities	**(331)**	**(808)**
Cash flows from financing activities		
Proceeds from issue of share capital, net of issue costs paid	-	50,635
Proceeds from borrowings, net of debt issue costs	5,294	22,312
Repayment of loans	(11,896)	-
Investment in subsidiary by non-controlling interest	-	1,268
Settlement of contingent consideration for Argentum acquisition	(3,250)	-
Interest paid	(2,861)	(2,669)
Net cash (used in)/from financing activities	**(12,713)**	**71,546**
Net (decrease)/increase in cash and cash equivalents in the period	**(22,380)**	**29,482**
Cash and cash equivalents at beginning of period	**68,803**	**45,645**
Cash and cash equivalents at end of period	**46,423**	**75,127**

CAIRN HOMES PLC
NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

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.

These unaudited condensed interim consolidated financial statements and the information set out in this report cover the six month period ended 30 June 2018 and have been prepared in accordance with IAS 34 *"Interim Financial Reporting"* as adopted by the European Union.

The condensed interim consolidated financial statements do not include all the information required for a complete set of financial statements prepared in accordance with 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. Those statutory financial statements have been filed with the Registrar of Companies 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 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 these interim financial statements.

IFRS 15, *Revenue from Contracts with Customers*, replaced IAS 18 *Revenue Recognition* and IAS 11 *Construction Contracts* for the period ended 30 June 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 has no impact on the residential property sales or residential site sales recognised up to the end of the period. 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 period ended 30 June 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. The Group considers that there is no material impact on the accounting for financial liabilities. The new requirements affecting the accounting for financial liabilities that are designated at fair value through profit or loss do not impact on the Group as it does not have any such liabilities. 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 period.

The Group's other accounting policies, presentation and method of computations adopted in the preparation of the condensed interim financial statements 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 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 interim financial statements are the carrying value of inventories and allocations from inventories to cost of sales (note 6). The interim condensed consolidated financial statements are

1. Basis of Preparation *(continued)*

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

The interim condensed consolidated financial statements were approved by the Directors on 3 September 2018.

2. Revenue

	For six month period ended 30 June 2018 €'000	For six month period ended 30 June 2017 €'000
Residential property sales	115,159	26,331
Residential site sales	14,377	14,147
Income from property rental	678	700
	130,214	**41,178**

3. Other income

	For six month period ended 30 June 2018 €'000	For six month period ended 30 June 2017 €'000
Other income	-	523
	-	**523**

In the prior period, other income of €0.5 million represented net income on certain loans originally acquired in the Project Clear loan portfolio.

4. Finance costs

	For six month period ended 30 June 2018 €'000	For six month period ended 30 June 2017 €'000
Interest expense on financial liabilities measured at amortised cost	5,900	2,938
Settlement of contingent consideration – exceptional item	3,250	-
	9,150	**2,938**

Finance costs for the period to 30 June 2018 include interest and amortised transaction costs on the drawn Term Loans and Revolving Credit Facility, plus commitment fees on the undrawn element of the Revolving Credit Facility during the period.

Also, in accordance with IFRS 3 *Business Combinations*, a contingent consideration settlement of €3.25 million was charged to profit or loss in the period ended 30 June 2018 in relation to the Swords site which was acquired as part of the Argentum acquisition in 2016. This is a non-routine transaction which is non-recurring and has thus been classified as an exceptional item (note 15).

5. Taxation

	For six month period ended 30 June 2018 €'000	For six month period ended 30 June 2017 €'000
Current tax charge for the period	1,284	-
Deferred tax credit for the period	(338)	(120)
Total tax charge/(credit)	**946**	**(120)**

Deferred tax

The deferred tax liability is comprised of the following:

	For Six month period ended 30 June 2018 €'000	For Year ended 31 December 2017 €'000
Opening balance	5,611	5,490
(Credited)/charged to profit or loss	(338)	121
Closing balance	**5,273**	**5,611**

6. Inventories

	30 June 2018 €'000	31 Dec 2017 €'000
Land held for development	796,228	788,791
Construction work in progress	151,381	104,492
Development land collateral (for loans in the foreclosure process)	3,119	18,213
	950,728	**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.

7. Trade and other receivables

	30 June 2018 €'000	31 Dec 2017 €'000
Construction bonds	4,292	4,344
Other receivables	1,261	1,196
	5,553	**5,540**

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

8. Restricted cash and cash and cash equivalents

	30 June 2018 €'000	31 Dec 2017 €'000
Non-current		
Restricted cash	17,002	17,002

As at 30 June 2018, €17 million was required to be maintained in an interest-bearing blocked deposit for the duration of the Group's senior debt facilities (note 10), as part of the collateral for those facilities. The estimated fair value of this restricted cash at 30 June 2018 is €17 million. All this restricted cash was released to current assets after 30 June 2018 as a result of the Group's refinancing in July 2018 (note 19).

	30 June 2018 €'000	31 Dec 2017 €'000
Current		
Cash and cash equivalents	46,423	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.

9. Share capital and share premium

	30 June 2018 Number	30 June 2018 €'000	31 Dec 2017 Number	31 Dec 2017 €'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**

As at 30 June 2018	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
A Ordinary shares of €1.00 each	-	-	-	-
		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
A Ordinary shares of €1.00 each	-	-	-	-
		828	**749,616**	**750,444**

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 2,561,541 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 a 3 year period. The Group recognised an expense of €0.550 million related to the LTIP in profit or loss during the period ended 30 June 2018.

10. Loans and borrowings

	30 June 2018 €'000	31 Dec 2017 €'000
Current liabilities		
Bank loans		
Repayable within one year	11,826	18,361
Total borrowings	**11,826**	**18,361**
Non-current liabilities		
Bank loans		
Repayable as follows:		
Between one and two years	227,923	226,838
Total borrowings	**239,749**	**245,199**

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

The above maturity profile, which is based on the facilities that existed at 30 June 2018, has subsequently changed as a result of the Group's refinancing after the period end. The Group's committed new post period end facilities total €350 million which comprise a new €277.5 million Term Loan and Revolving Credit Facility with Allied Irish Bank plc, Ulster Bank Ireland DAC and Barclays Bank Ireland plc, repayable by 31 December 2022 and a €72.5 million Private Placement of Loan Notes with Pricoa Capital Group, repayable between 2024 and 2026 (note 19).

11. Non-controlling interest

The non-controlling interest at 30 June 2018 of €2.3 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, 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.

12. Trade and other payables

	30 June 2018 €'000	31 Dec 2017 €'000
Trade payables	20,319	8,193
Accruals	20,007	14,202
VAT liability	3,697	7,854
Other creditors	782	1,387
	44,805	**31,636**

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

13. Earnings per share

The basic earnings per share for the period ended 30 June 2018 is based on the earnings attributable to ordinary shareholders of €7.5 million and the weighted average number of ordinary shares outstanding for the period.

	For six month period ended 30 June 2018	For six month period ended 30 June 2017
Profit/(loss) attributable to owners of the Company (€'000)	7,508	(272)
Numerator for basic and diluted earnings/(loss) per share	**7,508**	**(272)**
Weighted average number of ordinary shares for period (basic)	761,672,549	697,890,074
Dilutive effect of Founder Shares and options	27,337,398	-
Denominator for diluted earnings/(loss) per share	789,009,947	697,890,074
Earnings/(loss) per share		
- Basic	0.99 cent	(0.04 cent)
- Diluted	0.95 cent	(0.04 cent)

The diluted earnings per share calculation reflects the number of ordinary shares issued through conversion of Founder Shares in August 2018 (note 19). The impact of share options 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.

14. Dividends

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

15 Exceptional items

Six month period ended 30 June 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 4) in the period relates to the settlement of this contingent consideration which was agreed with the Argentum vendors during the period. This is required to be charged to profit or loss in the consolidated financial statements in accordance with IFRS 3 *Business Combinations*. As this is a material non-routine transaction which is non-recurring it has been classified as an exceptional item.

Six month period ended 30 June 2017

In the prior period, transaction costs of €0.5 million, incurred in connection with the Euronext Dublin Listing which was completed 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.

16. Related party transactions

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

17. Financial 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, and the Group's objectives, policies and processes for measuring and managing risk.

(a) Risk management framework
The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

(b) Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and other receivables and cash and cash equivalents. The carrying amount of financial assets represents the maximum credit exposure.

Exposure to credit risk
The Group's principal financial assets comprise cash and short term deposits. Group management in conjunction with the Board manage risk associated with cash and short term deposits by depositing funds with a number of Irish financial institutions and AAA rated international institutions. At 30 June 2018, the Group's deposits were held in three Irish financial institutions with a minimum credit rating of BBB-.

	30 June 2018 €'000	31 Dec 2017 €'000
Carrying amount – amortised cost		
Construction bonds and other receivables	5,553	5,540
Restricted cash - non-current	17,002	17,002
Cash and cash equivalents - current	46,423	68,803
	68,978	**91,345**

(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 they fall 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 from trade and other receivables together with expected cash outflows on trade and other payables and commitments. All trade and other payables (€44.8 million) at 30 June 2018 are considered current with the expected cash outflow equivalent to their carrying value.
Management monitors the adequacy of the Group's liquidity reserves (comprising undrawn borrowing facilities and cash and cash equivalents) against rolling cash flow forecasts. In addition, the Group's liquidity risk management policy involves monitoring short term and long term cash flow forecasts.
The Group's refinancing since the period end (note 19) will increase the available committed funding, reduce the Group's finance costs and extend the maturity profile from 2019 to between 2022 and 2026.

17. Financial risk management (continued)

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

The Group is not exposed to significant currency risk. The Group operates only in the Republic of Ireland.

(ii) Interest rate risk

At 30 June 2018, the Group had the following facilities:

(a) Term Loan and Revolving Credit facilities with Allied Irish Bank plc and Ulster Bank Ireland DAC that had a principal drawn balance of €180 million (€150 million Term Loan and €30 million Revolving Credit Facility), of which €70 million has a fixed interest rate of 0% plus a margin of 3%, with the balance on a variable interest rate of 3 month Euribor (with a 0% floor), plus a margin of 3%. The Group has an exposure to cash flow interest rate risk where there are changes in Euribor rates. The Group's refinancing after the period end (note 19) will result in reduced interest rates on the new Term Loan and Revolving Credit Facility.

(b) a €50 million Term Loan facility with Activate Capital at a variable interest rate of 1 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 1 month Euribor rate.

(c) a €10 million short-term loan facility with Allied Irish Bank plc, at a variable interest rate of 3 month Euribor (with a 0% floor), plus a margin of 5%. This was repaid in August 2018.

(d) an additional Term Loan facility with Allied Irish Bank plc in relation to the joint development with NAMA (note 11) with a drawn balance of €1.8 million, at a variable interest rate of 3 month Euribor (with a 0% floor), plus a margin of 4.25%. This was repaid in July 2018.

(e) Fair value of financial assets and financial liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: valuation techniques for which the lowest level of inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: valuation techniques for which the lowest level of inputs that have a significant effect on the recorded fair value are not based on observable market data.

The following table shows the Group's financial assets and liabilities and the methods used to calculate fair value.

Asset/ Liability	Carrying value	Level	Method	Assumptions
Borrowings	Amortised cost	2	Discounted Cash Flow	Valuation based on future repayment and interest cash flows discounted at period end market interest rates.

17. Financial risk management (continued)

Fair value of financial assets and financial liabilities (continued)

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 financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	30 June 2018	Fair Value		
	Carrying Value	Level 1	Level 2	Level 3
	€'000	€'000	€'000	€'000
Financial assets measured at amortised cost				
Construction bonds and other receivables	5,553			
Cash and cash equivalents - current	46,423			
Restricted cash - non-current	17,002			
	68,978			
Financial liabilities measured at amortised cost				
Trade payables and accruals	40,326			
Borrowings	239,749		241,345	
	280,075			

	31 Dec 2017	Fair Value		
	Carrying Value	Level 1	Level 2	Level 3
	€'000	€'000	€'000	€'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			

18. 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 Q1 2019.

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

19. Events after the reporting period

After the period end, the Group successfully completed a debt refinancing of its existing €200 million Term Loan and Revolving Credit Facility with Allied Irish Bank 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 Bank 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 facilities are secured by a debenture incorporating a fixed and floating charge over certain assets of the Group.

The Group 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. Under the approved terms of the Founder Share Scheme, the founders are entitled to 20% of total shareholder return generated each year up to and including 30 June 2022, subject to achieving a 12.5% annual compounding hurdle rate.

The Group has agreed to dispose of the refurbished student apartment development at Blackhall Place, Dublin as well as two other student accommodation development sites which recently received planning permission for a total consideration of €45 million.

20. Approval of financial statements

These financial statements were approved by the Board on 3 September 2018.

Independent Review Report to Cairn Homes plc

Introduction

We have been engaged by Cairn Homes plc ("the Company") to review the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2018 which comprises the condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and the related explanatory notes. Our review was conducted having regard to the Financial Reporting Council's ("FRC's") International Standard on Review Engagements ("ISRE") (UK and Ireland) 2410, *'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'.*

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the half-yearly report for the six months ended 30 June 2018 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU, the Transparency (Directive 2004/109/EC) Regulations 2007 ("the Transparency Directive"), and the Transparency Rules of the Central Bank of Ireland.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Transparency Directive and the Transparency Rules of the Central Bank of Ireland. As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRS as adopted by the EU. The Directors are responsible for ensuring that the condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of consolidated financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review having regard to the Financial Reporting Council's International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We read the other information contained in the half-yearly financial report to identify material inconsistencies with the information in the condensed set of consolidated financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the review. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

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

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Transparency Directive and the Transparency Rules of the Central Bank of Ireland. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

KPMG
Chartered Accountants
1 Stokes Place
St. Stephen's Green, Dublin 2

3 September 2018

CAIRN HOMES PLC
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Tim Kenny (Group Finance Director)
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