

## Cairn Homes plc

### Preliminary Results for the 12 months ended 31 December 2016

**Total revenues of €40.9 million, gross profits of €7.1 million**

**Dublin/London 9 March 2017:** Cairn Homes plc (LSE: CRN) (“Cairn” or “the Company”), the Irish homebuilding company, today announces its preliminary results for the twelve months ended 31 December 2016.

#### KEY HIGHLIGHTS

##### Financial

- Total revenues of €40.9 million (mainly from 105 completions), up from €3.7 million in 2015.
- Gross profit of €7.1 million and a gross profit margin of 17.3%. H2 gross profit margin of 17.7% increased from H1 margin of 16.5%.
- Operating profit<sup>1</sup> of €3.6 million (2015: operating loss<sup>1</sup> of €3.8 million).
- The Company intends to seek a primary listing on the Irish Stock Exchange during 2017.

##### Operating

- Currently active on seven sites – Parkside (Malahide Road), Albany (Killiney), Marianella (Rathgar), Churchfields (Ashbourne), Six Hanover Quay (Dublin 2), Shackleton (Adamstown) and Glenheron (Greystones). Construction is due to commence in Naas in Q2, 2017.
- Forward sales of (301 units), with a gross sales value of €121.2 million as of 9 March 2017, with the majority of these forward sales expected to complete in 2017.
- Strong customer response across all selling sites, with an increase in weekly sales run rate – up to 19.7 per week in Q1 2017 to date versus 10.0 per week in Q4 2016 and 3.5 per week in Q3 2016. The Company has doubled its build rate to over 250 units and 200 units per annum in Parkside and Ashbourne respectively to meet this increased demand.
- Total site acquisition spend of €265.5 million in 2016, following a spend of €489.7 million in 2015 – average core site cost of €53,000. 96% of Cairn’s land bank of 12,100 units is residentially zoned or has a live planning consent.
- Post year end, successful conclusion of first joint venture agreement with NAMA on a site adjoining our Parkside development.
- Company is today supporting over 1,000 new construction jobs across our active sites.

<b>Key Financial Highlights</b>	<b>Dec 2016 €'000</b>	<b>Dec 2015 €'000</b>
Revenue	40,906	3,717
Gross Profit	7,062	702
Operating Profit/(Loss) <sup>1</sup>	3,646	(3,790)
Loss Before Tax <sup>1</sup>	(1,459)	(5,476)
Loss Before Tax <sup>2</sup>	(2,815)	(37,520)
Basic and Diluted Loss Per Share	(€0.003)	(€0.159)

<sup>1</sup> Before exceptional items

<sup>2</sup> After exceptional items

Commenting on the results, Michael Stanley, CEO, said:

"We have made significant progress during 2016, both in terms of construction activity and sales performance. We are now building on seven sites in the Greater Dublin Area, with additional sites due to commence later this year.

"The Company is today supporting over 1,000 new construction jobs.

"Our rate of forward sales has accelerated significantly in the early part of 2017, with forward sales today standing at 301 units, with a gross sales value of €121.2 million. Looking forward Cairn will be selling homes at six individual developments by Autumn 2017. We believe that this expansion is well timed, as the supply/demand imbalance for new homes, particularly in the Greater Dublin Area, where the vast majority of our land bank is located, remains as stark as it was at the time of our IPO.

"2017 will be a transformative year for Cairn, and with strengthening mortgage backed demand, we now expect to close between 375 and 400 units in the current year. This underpins our confidence in achieving our 2018 and 2019 targets of in excess of 850 units and 1,200 units respectively."

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There will be an Analyst and Investor conference call today (09 March 2017) at 8.30am hosted by Michael Stanley, CEO and Eamonn O'Kennedy, Finance Director. Please use the numbers below, quoting the following Conference ID: 78499989:

Ireland

- Toll free – 1800 936 309

UK

- Toll free – 0800 953 1289

US

- Toll free – 1866 869 2321

International

- Toll – +44 (0) 203 0095710

**Notes to Editors**

Cairn Homes plc is an Irish homebuilder with a highly experienced management team. The Company is committed to constructing high quality new homes with an emphasis on design and innovation in attractive locations to meet sustainable market demand. Cairn has a land bank of 12,100 units, over 90% of which is located in the Greater Dublin Area (GDA). Currently, Cairn is active on seven sites in the GDA, which will deliver 2,800 units.

**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 or by the Listing Rules of the UK Listing Authority, to reflect new information, future events or otherwise.*

## **CHIEF EXECUTIVE'S STATEMENT**

### **Strategic Review**

Cairn believes in designing and building quality family homes and establishing a market leading brand and reputation. Following the substantial completion of its initial capital deployment phase, the Company's focus is now firmly on continuing to scale its construction operations toward reaching its stated target of completing in excess of 1,200 new home sales during 2019. 2017 is a key year in this progression and the Company will be building new homes on ten sites by the end of 2017, seven of which are already active, with Naas due to commence in Q2.

Demand remains strong and the shortage of supply, which was evident throughout 2015 and 2016 continues to be a feature of the market.

The reduced deposit requirement for first time buyers as a result of the Help to Buy tax rebate ("HTB") announced in the 2017 Budget, coupled with the impact of the relaxation in the Central Bank of Ireland's ("CBI") macro-prudential rules has been impactful. Demand is more realisable as first time buyers now have better access to mortgage finance. The strategic bias of Cairn's land bank towards starter homes will continue to benefit the Company.

### **Operations Review**

In its first full year of operations, the Company completed 105 house sales. In addition, the level of enquires and forward sales have continued to increase over recent months, with activity in both Parkside and Ashbourne particularly strong. Forward sales across all of our active sites stood at 301 (with a gross sales value of €121.2 million) as of today.

The pick-up in the weekly sales rate (up to 19.7 per week in Q1 2017 to date versus 10.0 per week in Q4 2016 and 3.5 per week in Q3 2016) has been driven by a number of factors, but most noticeably, positive customer feedback on the build quality and design of the Company's houses and apartments, its approach to customer service and more recently by improving mortgage backed demand. The Company's well-priced and strategically located land bank, economies of scale and efficient capital structure differentiate it from its competitors and enable it to bring new homes to the market at competitive price points.

The Company is now active on seven separate sites, including the most recently commenced Shackleton, Adamstown and Glenheron, Greystones. These seven sites will deliver in excess of 2,800 units over the coming years. The Company's operations will continue to accelerate with construction to commence on one of its Naas sites in Q2, with two further sites starting by the end of 2017.

The Company remains confident of achieving its previously guided 2019 target of in excess of 1,200 unit completions and an EBIT margin of 20%, without the benefit of future house price inflation.

The Company's planning and development teams will continue to add value by amending existing planning consents, where appropriate, and designing new schemes, in order to ensure optimum delivery and enhanced returns across the portfolio.

The Company's loan to own strategy post the Project Clear acquisition progressed well throughout the year and is expected to conclude in 2017. Total proceeds of €36.9 million were realised from settlements and asset sales in line with expectations and €201.1 million of assets (15 sites) transferred to its direct ownership by year-end, with a further €43.9 million transferred during the early months of 2017. The Company remains confident of realising the full value on all Project Clear core sites converted to its direct ownership and on achieving targeted profit levels on its smaller non-core site disposals.

In excess of 91% of the Company's core land bank of 12,100 units is located in the Greater Dublin area, in line with the Company's original strategic objective. Given the profile of the Company's acquisitions to date, 35% of the core land bank has the benefit of an existing planning consent, 34% is in strategic development zones (which is an effective full planning permission) and 27% is zoned residential.

Several successful land acquisitions were completed during 2016, including the acquisition of the Argentum business and its six sites, along with the purchase of sites in Hanover Quay (Dublin City Centre), Cherrywood (South Dublin), Maynooth (Kildare), Delgany (Wicklow), Enniskerry (Wicklow), Cork Street (Dublin City Centre) and Blackhall Place (Dublin City Centre).

As the Company continues to grow its talented team, the strength of its brand, its approach to design and building homes and the quality of its land bank differentiates Cairn, enabling the Company to attract the highest calibre of staff and to provide a growth platform for our subcontractors. Today, the Company supports over 1,000 construction jobs across its various sites.

The recently announced joint venture with NAMA on lands adjoining the Parkside site is a positive new departure for the Company. Such joint venture opportunities with strong counterparties provide the Company with an additional and alternative route to market, through an efficient capital deployment model.

## **Financial Review**

Total revenues of €40.9 million were up €37.2 million on 2015. The revenue number is comprised of residential property sales revenues of €35.5 million (including €4.5 million of revenues from Project Clear related sales), residential site sales revenues of €4.2 million and rental income of €1.2 million.

Gross profits generated from operating activities were €7.1 million, up from €0.7 million in 2015. The gross profit margin was 17.3%, which compared to 18.9% in 2015. The gross margin progressed during the year from 16.5% in H1, to 17.7% in H2.

An operating profit of €3.6 million, before exceptional items of €1.4 million was generated, which compares favourably with the operating loss, before exceptional items, of €3.8 million in 2015.

Net finance costs for the twelve months were €5.1 million, compared to €1.7 million (excluding exceptional items) in 2015, which reflected the increased level of debt carried in the business during 2016.

Net debt of €76.0 million as at 31 December 2016 was comprised of drawn debt of €148.6 million (including unamortised arrangement fees and issue costs), available cash of €45.6 million and €27.0 million of restricted cash. Net debt at 31 December 2015 was €30.0 million.

Inventories as at 31 December 2016 were €727.2 million, comprised of land held for development of €689.9 million (including €130.9 million of land in a foreclosure process) and work in progress of €37.3 million. The increased investment in both land and WIP during 2016, reflects the continued investment phase of the Company in its overall inventory levels.

## **MARKET CONDITIONS**

### **Residential Property Market**

The ongoing supply/demand imbalance is a key factor in the continued upward trajectory in house price inflation, which was up 8.1% and 5.7% nationally and in Dublin respectively in the 12 months to the end of December 2016. Dublin prices still remain 32.8% behind peak 2007 levels, whilst rents are now back above their peak levels.

The estimated ESRI long-term requirement is for in excess of 10,000 new homes per annum in Dublin. The Department of Housing, Planning, Community and Local Government measured 4,234 completions in 2016, just 1,343 greater than 2015. As of today, there were just 2,234 new homes registered (on the Property Price Register) as sold in multi-unit developments in 2016.

Increasing rent levels across the country, and in Dublin in particular, are a continuing feature of the residential housing market in recent years, which is a direct manifestation of the worsening supply/demand imbalance. A recent industry report (*source: Daft*) highlighted this continued rise in rents, with national rents up 13.5% and Dublin rents up close to 15% in the twelve months to December 2016. These increased recent levels mean that it is now more than 30% cheaper to own a home rather than to rent a similar home in Dublin.

The mortgage market continued to improve throughout 2016, with mortgage drawdowns during the year increasing to €5.65 billion, which represents an increase of 12.3% on 2015 levels. Q4 2016 drawdown values increased by 26%, which is the largest quarterly increase seen since Q2 2007. First time buyers' mortgages saw an increase of 12% in total value across all of 2016, but with a significant acceleration in Q4, with growth of 25%.

## **Government Initiatives & Mortgage Rule Changes**

The various Government initiatives announced during 2016, centred around “Rebuilding Ireland: Action Plan for Housing and Homelessness”, announced in July 2016, provided support for the industry as it continues its rebuilding process. In particular, the HTB programme announced in Budget 2017 will help to generate much needed housing supply. This coupled with the recently announced relaxation of the CBI’s macro-prudential mortgage lending rules relating to Loan to Value ratios for first time buyers has meant that the personal deposit requirement for the purchaser of a €300,000 new home has reduced by 60%, from €38,000 to €15,000. Other welcome initiatives include the €200 million Local Infrastructure Housing Activation Fund which will contribute towards the construction of roads and services for larger, pathfinder sites. The Government has identified and classified twenty three of these large pathfinder sites in Ireland, and Cairn is a landowner on five of these sites.

## **Economy**

The Irish macro-economic backdrop remains positive, with Ireland continuing to experience its highest levels of consistent GDP growth since the mid-2000s, and it remains one of the strongest performing economies in Europe. Recent forecasts (*source: Goodbody*) for the Irish economy are predicting GDP growth of 4.4% in 2016 and 3.1% in 2017. The labour market continued to show positive momentum during 2016, with unemployment at 6.6% in February 2017, down from 8.8% in February 2016. More importantly, employment growth continues its upward trajectory, with 65,100 new jobs created in the twelve months to December 2016, an increase of 3.3% over the twelve months (*source: CSO*). This strong employment market is resulting in a return to wage growth, with an increase of 2.2% during 2016, with expectations of a similar level of growth during 2017. This strong economic backdrop is key to improving affordability, an important ingredient in underpinning housing demand.

While Brexit has generated some uncertainty for the broader Irish economy, there is potential for job relocations from London to Dublin and Cairn is ideally positioned to benefit from any increased demand for housing as a result of such relocations.

## **OUTLOOK**

The overall economic environment continues to improve in Ireland and there is realisable demand for good quality new homes in attractive locations. With Cairn’s scalable and flexible business model, the Company is very well placed to meet this market demand.

Sales momentum is strong and the rate of forward sales continues to accelerate. As a consequence, the Company now expects to complete the sale of between 375 and 400 units in the current year. The realisation of this sales targets will mean that the Company will become cash flow positive in Q4 2017.

Overall, the Company looks forward to another year of progress in 2017.

**CAIRN HOMES PLC**
**CONSOLIDATED PRELIMINARY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)**

For the year ended 31 December 2016

	Note	Year ended 31 December 2016 (Unaudited)			Period from incorporation on 12 Nov 2014 to 31 December 2015 (Audited)		
		Before Exceptional Items €'000	Exceptional items (Note 16) €'000	Total €'000	Before Exceptional Items €'000	Exceptional items €'000	Total €'000
<b>Continuing operations</b>							
Revenue	2	40,906	-	<b>40,906</b>	3,717	-	<b>3,717</b>
Cost of sales		(33,844)	-	<b>(33,844)</b>	(3,015)	-	<b>(3,015)</b>
<b>Gross profit</b>		<b>7,062</b>	-	<b>7,062</b>	<b>702</b>	-	<b>702</b>
Other income	3	4,425	-	<b>4,425</b>	-	-	-
Administrative expenses		(7,841)	(1,356)	<b>(9,197)</b>	(4,492)	(1,086)	<b>(5,578)</b>
Fair value charge relating to Founder Shares		-	-	-	-	(29,100)	<b>(29,100)</b>
<b>Operating profit/(loss)</b>		<b>3,646</b>	<b>(1,356)</b>	<b>2,290</b>	<b>(3,790)</b>	<b>(30,186)</b>	<b>(33,976)</b>
Finance income	4	89	-	<b>89</b>	114	-	<b>114</b>
Finance costs	4	(5,194)	-	<b>(5,194)</b>	(1,800)	(1,858)	<b>(3,658)</b>
<b>Profit/(Loss) before taxation</b>		<b>(1,459)</b>	<b>(1,356)</b>	<b>(2,815)</b>	<b>(5,476)</b>	<b>(32,044)</b>	<b>(37,520)</b>
Income tax credit	5			<b>752</b>			<b>312</b>
<b>Loss for the year/period attributable to owners of the Company</b>				<b>(2,063)</b>			<b>(37,208)</b>
<b>Other comprehensive income</b>				-			-
<b>Total comprehensive loss for the year/period attributable to owners of the Company</b>				<b>(2,063)</b>			<b>(37,208)</b>
<b>Basic loss per share</b>	12			<b>0.3 cents</b>			<b>15.9 cents</b>
<b>Diluted loss per share</b>	12			<b>0.3 cents</b>			<b>15.9 cents</b>

**CAIRN HOMES PLC****CONSOLIDATED PRELIMINARY STATEMENT OF FINANCIAL POSITION (UNAUDITED)**

As at 31 December 2016

		2016	2015
	Note	Unaudited €'000	Audited €'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		894	130
Intangible assets		485	130
Restricted cash	9	<u>27,000</u>	<u>27,000</u>
		<b>28,379</b>	<b>27,260</b>
<b>Current assets</b>			
Loan assets	6	16,000	382,951
Inventories	7	727,223	149,331
Deposits paid		-	5,000
Trade and other receivables	8	17,015	2,962
Cash and cash equivalents	9	<u>45,645</u>	<u>6,551</u>
		<b>805,883</b>	<b>546,795</b>
<b>Total assets</b>		<u><b>834,262</b></u>	<u><b>574,055</b></u>
<b>Equity</b>			
Share capital	10	794	637
Share premium	10	697,733	521,390
Share-based payment reserve		24,779	29,118
Retained earnings		<u>(58,935)</u>	<u>(53,155)</u>
<b>Total equity</b>		<u><b>664,371</b></u>	<u><b>497,990</b></u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loans and borrowings	11	148,631	63,543
Derivative liability		-	514
Deferred taxation	5	<u>5,490</u>	<u>815</u>
		<b>154,121</b>	<b>64,872</b>
<b>Current liabilities</b>			
Trade and other payables	13	15,770	11,193
<b>Total liabilities</b>		<u><b>169,891</b></u>	<u><b>76,065</b></u>
<b>Total equity and liabilities</b>		<u><b>834,262</b></u>	<u><b>574,055</b></u>

**CAIRN HOMES PLC**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
For the year ended 31 December 2016

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

**CAIRN HOMES PLC**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (AUDITED)**

For the period from incorporation on 12 November 2014 to 31 December 2015

	Share Capital				Share Premium	Share-based payment Reserve	Retained Earnings	Total
	Ordinary Shares	A Ordinary Shares	Deferred Shares	Founder Shares				
	€'000	€'000	€'000	€'000				
<b>As at 12 November 2014</b>	-	-	-	-	-	-	-	-
<b>Total comprehensive loss for the period</b>								
Loss for the period	-	-	-	-	-	-	(37,208)	(37,208)
	-	-	-	-	-	-	(37,208)	(37,208)
<b>Transactions with owners of the company</b>								
Issue of ordinary shares for cash	490	-	-	-	494,660	-	-	495,150
Share issue costs	-	-	-	-	-	-	(15,947)	(15,947)
Issue of founder shares for cash	-	-	-	100	100	-	-	200
Issue of ordinary shares for business combination	27	-	-	-	26,630	-	-	26,657
Issue of A ordinary shares for cash	-	20	-	-	-	-	-	20
Conversion of A ordinary shares to deferred shares	-	(20)	20	-	-	-	-	-
Equity-settled share-based payments	-	-	-	-	-	29,118	-	29,118
	<b>517</b>	<b>-</b>	<b>20</b>	<b>100</b>	<b>521,390</b>	<b>29,118</b>	<b>(15,947)</b>	<b>535,198</b>
<b>As at 31 December 2015</b>	<b>517</b>	<b>-</b>	<b>20</b>	<b>100</b>	<b>521,390</b>	<b>29,118</b>	<b>(53,155)</b>	<b>497,990</b>

**CAIRN HOMES PLC**  
**CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**  
For the year ended 31 December 2016

	Note	Year ended 31 Dec 2016 Unaudited €'000	Period from 12 Nov 14 to 31 Dec 2015 Audited €'000
<b>Cash flows from operating activities</b>			
<b>Loss for the period</b>		(2,063)	(37,208)
<b>Adjustments for:</b>			
Share-based payments expense		32	29,118
Non-cash expense in relation to the acquisition of Emerley Holdings Limited		-	2,944
Other finance costs		5,194	1,800
Finance income		(89)	(114)
Depreciation of property, plant and equipment		112	-
Amortisation of intangible assets		32	-
Taxation		(752)	(312)
		<b>2,466</b>	<b>(3,772)</b>
Increase in inventories		(151,105)	(105,521)
Decrease/(increase) in loan assets		26,768	(382,951)
Increase in deposits paid		-	(5,000)
Increase in trade and other receivables		(3,796)	(2,048)
Increase in trade and other payables		4,464	8,186
		<b>(121,203)</b>	<b>(491,106)</b>
<b>Cash flows from investing activities</b>			
Acquisition of Argentum	16	(86,074)	-
Cash acquired on acquisition of Argentum	16	818	-
Cash acquired on acquisition of Emerley Holdings Limited		-	1,963
Purchases of property, plant and equipment		(876)	(130)
Purchases of intangible assets		(434)	(83)
Interest received		89	114
Transfer to restricted cash		-	(27,000)
		<b>(86,477)</b>	<b>(25,136)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital, net of issue costs paid	10	167,716	480,174
Proceeds from borrowings, net of debt issue costs	11	99,285	64,375
Repayment of loans	11	(15,500)	(18,130)
Interest paid		(4,727)	(3,626)
		<b>246,774</b>	<b>522,793</b>
<b>Net cash from financing activities</b>		<b>246,774</b>	<b>522,793</b>
<b>Net increase in cash and cash equivalents in the period</b>		<b>39,094</b>	<b>6,551</b>
Cash and cash equivalents at beginning of period		<b>6,551</b>	-
<b>Cash and cash equivalents at the end of period</b>		<b>45,645</b>	<b>6,551</b>

## CAIRN HOMES PLC

### NOTES TO THE UNAUDITED CONSOLIDATED PRELIMINARY 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 preliminary financial information covers the year ended 31 December 2016 for the Company and its subsidiaries (together referred to as “the Group”). The comparative period was for the period from incorporation on 12 November 2014 to 31 December 2015.

The Group consolidated preliminary financial information does not include all of 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 2015. 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 period ended 31 December 2015 and the interim results announcement for the six months ended 30 June 2016, issued on 25 August 2016. The statutory financial statements for the period ended 31 December 2015 have been filed with the Companies Registration Office and are available at [www.cairnhomes.com](http://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 2016 will be published in April 2017 and will be available on [www.cairnhomes.com](http://www.cairnhomes.com).

The accounting policies, presentation and method of computations adopted in the preparation of the consolidated preliminary financial information are consistent with those followed in the preparation of the Group’s financial statements for the period ended 31 December 2015.

The new IFRS standards, amendments to standards or interpretations that are effective for the first time in the financial year ending 31 December 2016 have not had a significant impact on the Group’s reported results or net assets in this consolidated preliminary financial information.

The preparation of consolidated preliminary 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.

The key judgements and estimates impacting this consolidated preliminary financial information are:

- carrying value of inventories and allocations from inventories to cost of sales (Note 7)
- transfer of loan assets to development land collateral within inventories (Notes 6 and 7)
- acquisition accounting, including allocation of fair value of consideration (Note 16)

The consolidated preliminary 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 preliminary financial information for the year ended 31 December 2016 on 8 March 2017.

**CAIRN HOMES PLC**

**NOTES TO THE UNAUDITED CONSOLIDATED PRELIMINARY FINANCIAL INFORMATION** *(continued)*

**2. Revenue**

	Year ended 31 Dec 2016	Period from incorporation on 12 Nov 2014 to 31 Dec 2015
	€'000	€'000
Residential property sales	35,540	3,401
Residential site sales	4,205	-
Income from property rental	1,161	316
	<b>40,906</b>	<b>3,717</b>

Residential property sales include €4.5 million from the sale of residential properties acquired in Project Clear (Note 7).

**3. Other income**

	Year ended 31 Dec 2016	Period from incorporation on 12 Nov 2014 to 31 Dec 2015
	€'000	€'000
Loan income	2,643	-
Other gains	1,782	-
	<b>4,425</b>	<b>-</b>

During the year, loan income of €2.6 million arose on accrued income on and the settlement of certain loans acquired in the Project Clear distressed loan portfolio (Note 6), relating to development sites which the Group will not develop itself.

Other gains mainly relate to the release of a liability which had been assumed for certain expected payments to third parties, arising on the Project Clear distressed loans acquisition, that are no longer payable.

**4. Finance income and costs**

	Year ended 31 Dec 2016	Period from incorporation on 12 Nov 2014 to 31 Dec 2015		
	Total	Before Exceptional items	Exceptional items	Total
	€'000	€'000	€'000	€'000
<b>Finance Income</b>				
Interest income on short term deposits	89	114	-	114
<b>Finance Costs</b>				
Interest expense on financial liabilities measured at amortised cost	(5,067)	(1,927)	(1,858)	(3,785)
Other finance costs	(127)	127	-	127
	<b>(5,194)</b>	<b>(1,800)</b>	<b>(1,858)</b>	<b>(3,658)</b>

The above interest expense for the year ended 31 December 2016 relates to interest on the drawn Term Loan and Revolving Credit Facility, amortised finance costs and transaction costs, plus commitment fees on the undrawn facility during the year.

**CAIRN HOMES PLC**

**NOTES TO THE UNAUDITED CONSOLIDATED PRELIMINARY FINANCIAL INFORMATION** *(continued)*

**5. Current and deferred taxation**

	Year ended 31 Dec 2016	Period from incorporation on 12 Nov 2014 to 31 Dec 2015
	€'000	€'000
Current tax charge for the period	-	-
Deferred tax credit for the period	(752)	(312)
<b>Total income tax credit</b>	<b>(752)</b>	<b>(312)</b>

**Deferred tax**

The deferred tax liability is comprised of the following:

	2016	2015
	€'000	€'000
Opening balance	815	-
Liability on acquisition of Emerley Holdings Limited	-	1,127
Liability on acquisition of Argentum (Note 16)	5,427	-
Credited to profit or loss	(752)	(312)
<b>Closing Balance</b>	<b>5,490</b>	<b>815</b>

**6. Loan assets**

	2016	2015
	€'000	€'000
Loan receivables	16,000	378,681
Construction bonds	-	4,270
	<b>16,000</b>	<b>382,951</b>

The loan receivables were acquired in December 2015 (Project Clear) at a substantial discount to their nominal value reflecting their distressed state at the time of acquisition. The fair value of the loan receivables at acquisition was based on the value of the secured real estate collateral. Direct transaction costs incurred relating to the acquisition of these loans were capitalised.

During the year ended 31 December 2016, the Group realised gross proceeds of €28.2 million from the settlement of loans. At 31 December 2016, loans with a carrying value of €16 million are expected to be repaid. Net gains on loan settlements and accrued income of €2.6 million arose in the year (Note 3).

In February 2016, following the end of the sub-participation period, the Group commenced the foreclosure process, whereby the substantial majority of loans are recovered by obtaining the underlying collateral. Accordingly, the loans in foreclosure were derecognised as financial assets, and the related collateral assets were transferred to inventory, as detailed further in Note 7, which reflects the substance of these assets.

As a consequence, the related construction bonds and sundry receivables (amounts due from appointed receivers) associated with the underlying collateral have been transferred to trade and other receivables (Note 8).

**CAIRN HOMES PLC****NOTES TO THE UNAUDITED CONSOLIDATED PRELIMINARY FINANCIAL INFORMATION** *(continued)***7. Inventories**

	<b>2016</b>	<b>2015</b>
	<b>€'000</b>	<b>€'000</b>
Land held for development	559,032	132,074
Construction work in progress	37,277	17,257
Development land collateral (for loans in the foreclosure process)	130,914	-
	<b>727,223</b>	<b>149,331</b>

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.

Having considered the current market conditions and development potential, the directors do not consider there to be any factors that give rise to concern in relation to the net realisable value of the Group's inventories as at 31 December 2016. Consequently, the directors believe that the carrying value of inventories is stated at the lower of cost and net realisable value.

Following the end of the sub-participation period in February 2016, as further detailed in Note 6, the Group commenced the foreclosure process of transferring development land collateral into its direct ownership. Consequently, the cost of the development land collateral attaching to the relevant Project Clear distressed loan assets is now shown within inventories. The carrying value of this collateral property at 31 December 2016 was €130.9 million.

During the year, assets attached to 15 of the original distressed loans acquired, with a total cost of €201.1 million, have transferred from development land collateral to directly owned land held for development. In addition, the Group realised proceeds of €4.5 million from the sale of residential properties and €4.2 million from the sale of residential sites acquired as collateral properties in Project Clear, which are included in revenue (Note 2).

**8. Trade and Other Receivables**

	<b>2016</b>	<b>2015</b>
	<b>€'000</b>	<b>€'000</b>
Vat recoverable	6,888	2,101
Construction bonds	4,440	-
Other receivables	5,687	861
	<b>17,015</b>	<b>2,962</b>

Other receivables mainly represent amounts due from appointed receivers in relation to Project Clear assets and accrued loan income.

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

**CAIRN HOMES PLC**

**NOTES TO THE UNAUDITED CONSOLIDATED PRELIMINARY FINANCIAL INFORMATION** *(continued)*

**9. Restricted Cash and Cash and Cash Equivalents**

	<b>2016</b>	<b>2015</b>
	<b>€'000</b>	<b>€'000</b>
<b>Non-current</b>		
Restricted cash	<u>27,000</u>	<u>27,000</u>

€27 million of restricted cash is required to be maintained in an interest-bearing blocked deposit for the duration of the Group's senior debt facilities (Note 11), as part of the collateral for those facilities. The estimated fair value of restricted cash at 31 December 2016 is €27 million.

	<b>2016</b>	<b>2015</b>
	<b>€'000</b>	<b>€'000</b>
<b>Current</b>		
Cash and cash equivalents	<u>45,645</u>	<u>6,551</u>

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.

**10. Share Capital and Share Premium**

	<b>2016</b>	<b>2015</b>
	<b>Number</b>	<b>Number</b>
	<b>€'000</b>	<b>€'000</b>
<b>Authorised</b>		
Ordinary Shares of €0.001 each	1,000,000,000	1,000,000,000
Founder Shares of €0.001 each	100,000,000	100,000,000
Deferred Shares of €0.001 each	120,000,000	120,000,000
A Ordinary Shares of €1.00 each	20,000	20,000
<b>Total Authorised Share Capital</b>	<u><b>1,240</b></u>	<u><b>1,240</b></u>

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

**CAIRN HOMES PLC****NOTES TO THE UNAUDITED CONSOLIDATED PRELIMINARY FINANCIAL INFORMATION** *(continued)***10. Share Capital and Share Premium** *(continued)*

<b>As at 31 December 2015</b>	<b>Number</b>	<b>Share Capital €'000</b>	<b>Share Premium €'000</b>	<b>Total €'000</b>
<b>Issued and fully paid</b>				
Ordinary Shares of €0.001 each	516,663,977	517	521,290	521,807
Founder Shares of €0.001 each	100,000,000	100	100	200
Deferred Shares of €0.001 each	19,980,000	20	-	20
A Ordinary Shares of €1.00 each	-	-	-	-
		<b>637</b>	<b>521,390</b>	<b>522,027</b>

**Share Issues**

On 19 April 2016, the Company issued 46,875,000 Ordinary Shares at €1.12 each through a Firm Placing and 110,713,709 Ordinary Shares at €1.12 each through a Firm Placing and Placing and Open Offer, raising gross proceeds of €176.5 million.

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

Share issue costs of €8.1 million have been charged directly in equity to retained earnings.

**11. Loans and Borrowings**

	<b>2016 €'000</b>	<b>2015 €'000</b>
<b>Non-current liabilities</b>		
<b>Bank loans</b>		
Repayable as follows:		
Between two and five years (repayable in December 2019)	148,631	63,543
<b>Total Borrowings</b>	<b>148,631</b>	<b>63,543</b>

On 8 February 2016, €42 million was drawn down on the Term Loan by the Group. A further €8 million was drawn on 11 March 2016, with a further €50 million drawn on 3 May 2016, in line with the terms of the Term Loan.

On 9 June 2016, the Group repaid the Revolving Credit Facility of €15.5 million. The Group has an undrawn Revolving Credit Facility of €50 million available as at 31 December 2016.

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

**CAIRN HOMES PLC****NOTES TO THE UNAUDITED CONSOLIDATED PRELIMINARY FINANCIAL INFORMATION** *(continued)***12. Earnings per Share**

The basic loss per share for the year ended 31 December 2016 is based on the loss attributable to ordinary shareholders of €2.1 million and the weighted average number of ordinary shares outstanding for the period. There is no difference between basic and diluted loss per share. The potential ordinary shares from share-based payment arrangements are not dilutive in view of the loss made in the period.

	<u>2016</u>	<u>2015</u>
Loss attributable to ordinary shareholders (€'000)	(2,063)	(37,208)
Weighted average number of ordinary shares for period	632,830,319	233,456,612
Basic and diluted loss per share	<u>0.3 cents</u>	<u>15.9 cents</u>

**13. Trade and Other Payables**

	<u>2016</u>	<u>2015</u>
	<u>€'000</u>	<u>€'000</u>
Trade payables	7,659	583
Accruals	6,945	10,233
Other creditors	<u>1,166</u>	<u>377</u>
	<b>15,770</b>	<b>11,193</b>

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

**14. Dividends**

There were no dividends declared and paid by the Company during the year and there were no dividends proposed by the directors in respect of the year up to the date of authorisation of this consolidated preliminary financial information.

**15. Related Party Transactions**

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

## CAIRN HOMES PLC

### NOTES TO THE UNAUDITED CONSOLIDATED PRELIMINARY FINANCIAL INFORMATION *(continued)*

#### 16. Business Combination

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

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

	<b>€'000</b>
Inventories	94,324
Receivables	1,050
Deposit paid	1,600
Cash and cash equivalents	818
Current liabilities	(1,178)
Deferred tax liability	(5,427)
<b>Total Fair Values of Net Assets Acquired</b>	<b>91,187</b>
<b>Consideration satisfied by:</b>	
Cash paid to date (including €5 million deposit paid in 2015)	91,074
To be paid	113
<b>Consideration Fair Value</b>	<b>91,187</b>

The total fair value of assets acquired was €91.2 million, which has been satisfied by the cash consideration of €91.2 million, consisting of a deposit of €5 million paid in 2015 and a payment of €86.1 million in 2016, with €0.1 million payable in 2017. Inventories of €94.3 million reflect the fair value, as at the date of acquisition, of development properties owned by Argentum and a conditional purchase contract to acquire the Greystones site. The purchase of the Greystones site completed at a cost of €14.4 million on August 24 2016, which was paid to the vendors of the Greystones site and is separate from the business combination. The combined total of the consideration for the Argentum business and the payment to complete the Greystones site purchase was €105.6 million.

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

From the acquisition date to 31 December 2016, this acquisition contributed revenue of €0.3 million and profit of nil to the consolidated results of the Group. If the acquisition had occurred with effect from the beginning of the period, it would have contributed revenue of €0.3 million and profit of nil to the consolidated results of the Group for the period.

#### 17. Commitments and contingent liabilities

The Group has a conditional contract to acquire a directly adjoining lot to its Cherrywood site at a cost of €9.2 million, on the grant of planning consent for that site

The Group has contracted to pay the vendors a further €8.75 million in the event that the Swords site (acquired as part of the Argentum transaction) (Note 16), is successfully rezoned as residential by 31 December 2018.

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

## **CAIRN HOMES PLC**

### **COMPANY INFORMATION**

#### **Directors**

John Reynolds (Non-Executive Chairman)  
Michael Stanley (Chief Executive Officer)  
Eamonn O’Kennedy (Group Finance Director)  
Alan McIntosh (Executive, British)  
Andrew Bernhardt (Non-Executive, British)  
Gary Britton (Non-Executive)  
Giles Davies (Non-Executive, British)

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