Glenveagh
Home of the new.

28 February 2020

# Glenveagh Properties plc

## Final Results 2019

Glenveagh Properties plc ("Glenveagh" or the "Group") a leading Irish homebuilder announces its Final Results for the year ended 31 December 2019.

**Financial Highlights**

| | **Year ended 31 December 2019** | **Year ended 31 December 2018** | **Change** |
|---|---|---|---|
| Units | **844** | 275 | 207% |
| Revenue €'m[1] | **284.6** | 84.2 | 238% |
| ASP €'k[2] | **332** | 287 | 16% |
| Gross profit €'m | **51.5** | 15.3 | 237% |
| Gross margin[3] | **18.1%** | 18.2% | (10 bps) |
| Net profit/(loss) €'m[4] | **23.9** | (3.5) | n.a. |
| Land €'m | **668** | 618 | 8% |
| Work-in-progress €'m | **173** | 101 | 71% |
| Net cash €'m | **53** | 131 | (59%) |

**Operational Highlights**

- 844 units delivered from 14 selling sites (2018: 275 units from seven selling sites);
- Actively constructing on 17 sites in the period, consistent with the Group's strategy of maximising the number of open outlets;
- Existing open sites are capable of delivering in excess of 4,800 units[5];
- In excess of 475[6] units which are due for delivery in 2020 are now sold, signed or reserved substantially underpinning the Group's delivery target for 2020 of 1,000 units;
- In exclusivity in respect of 448 units at East Road development to be delivered under a forward funding arrangement; and
- Completion of long-term timber frame open book supply agreement.

**Glenveagh's Chief Executive Stephen Garvey commented:**

"It's been another strong performance for the Group both operationally and financially as we continue to exceed our targets, delivering three times the number of unit completions from one year ago. The

[1] Including non-core site disposals of €4.3 million in 2019 (2018: €5 million)
[2] Change due largely to mix effects
[3] Underlying unit sales margin for 2018 approximately 17%. 2019 unit sales gross margin +110bps
[4] Pre exceptional items of €1.1 million
[5] Subject to planning
[6] At 26 February

Group's completed investment in attractive residential development land and focus on operational excellence continues to drive reservations, signings and completions. As we grow our operations, consistent with our business plan, tripling medium term output to 3,000 units, we continue to drive efficiencies and improve ties with our suppliers to further drive return on capital for the Group. As our market has evolved since IPO, we also see additional opportunities to capture strong demand from our retail and institutional customers.

I believe that our core product of starter homes for sale, building quality PRS product in sustainable rental locations and placemaking with local authorities through partnership schemes, holds the best potential proposition for the Irish residential market. I want to thank all of our employees, shareholders and industry partners for supporting our business."

**Outlook**

Positive momentum has been maintained during the first two months of the current year where customer demand has been solid. The Group has substantially de-risked its 2020 delivery targets with costs largely fixed and strong forward sales in place. The market backdrop remains favourable with significant institutional and private demand for housing. The Company is well-positioned to deliver a successful outcome for 2020 and the Board remains confident that the results will be in line with its expectations.

**Results Presentation**

A conference call for analysts and investors will take place at 8.30am this morning to present the financial and operational results followed by a Q&A session. Please pre-register at the link below to ensure your attendance is confirmed ahead of the commencement of the call:

- Click this link to register for the conference
- Ireland +353 (0) 1 553 0196 / UK +44 (0) 20 3003 2701 / USA +1 646 843 4609
- Conference PIN 2830915 followed by *0;

**For further information please contact:**

| Investors: | Media: |
|---|---|
| **Glenveagh Properties plc**<br>Michael Rice (CFO)<br>Conor Murtagh (Director, Strategy & IR)<br>investors@glenveagh.ie | **Gordon MRM**<br>Ray Gordon 087 241 7373<br>David Clerkin 087 830 1779<br>glenveagh@gordonmrm.ie |

**Note to Editors**

Glenveagh Properties plc, listed on Euronext Dublin and the London Stock Exchange, is a leading Irish homebuilder with a focus on strategically located developments in the Greater Dublin Area, Cork, Limerick and Galway.

Glenveagh delivers across three distinct business segments – Suburban, Urban and Partnerships - as a single business, capitalising on scale advantages and investing to optimise return on capital.
www.glenveagh.ie

# GLENVEAGH PROPERTIES PLC: STRATEGY, BUSINESS AND FINANCIAL REVIEW

## 1. STRATEGY

### i. Overview

Glenveagh is focussed on strategically located residential developments in the Greater Dublin Area, Cork, Limerick and Galway. The Group delivers to its customers across three distinct business segments – Suburban, Urban and Partnerships - from a single platform, capitalising on scale advantages and investing to optimise return on capital.

Each business segment benefits from the Group's attractive landbank, proven delivery platform and industry leading central resources covering the entire process outside of construction delivery. Our single underwriting team are complemented by centralised planning & design, manufacturing, procurement and PLC functions.

### ii. Business Segments

**Suburban** product is primarily first-time buyer housing with some low-rise apartments with demand coming from private buyers and institutions. This means affordable, high quality homes in locations of choice at €325,000 or below. The Group has an overwhelming Greater Dublin Area focus in our portfolio however the product is required nationally. Suburban meets private and institutional demand for our product via traditional build-to-sell to first-time buyers and forward sale PRS structures to institutions.

**Urban** product is all apartments to be delivered to institutions primarily in Dublin and Cork but also on sites adjacent to significant rail transportation hubs in the GDA. Demand in this segment is being driven by the shift to rental by millennials, changing lifestyles and the exodus of private landlords due to fiscal policy and regulation who are being replaced by institutional investors.

Urban offers significant attractions from a risk and return on capital perspective given the opportunities that exist to forward fund these developments. This provides longer term earnings visibility due to early commitment from a forward sale or forward fund transaction.

**Partnerships** are accretive to the business over the long-term. A partnership typically involves the Government, local authority or state agency contributing their land on a reduced cost or phased basis into a development agreement with Glenveagh. It has a reduced risk from a sales perspective where approx. 50% of the product will be delivered back to the government or local authority for social and affordable homes. Over time this will de-risk Glenveagh's market exposure and provide:

- access to both land and deliveries for our Suburban and Urban segments;
- strong ROCE profile; and
- increased business resilience with reduced risk.

### iii. Strategic Priorities

The four strategic priorities of the Group underpinned by our sustainability agenda are as follows:

- Disciplined investment across our three target segments;
- Putting our private and institutional customers at the heart of what we do;
- Scaling our construction capability across Suburban and Urban; and
- Optimisation of capital employed to drive returns for shareholders.

During 2019 the Group made significant progress towards the achievement of our strategic objectives.

Reflecting confidence in where the delivery capability has evolved since IPO, the Group's medium-term output targets were increased for 2022, 2023 and 2024 to 2,350, 3,050 and 3,000 units respectively.

## 2. BUSINESS REVIEW

### i. Group Sales

During 2019 the Group completed the sale of 844 units across fourteen selling sites where reservations and pricing remained strong throughout the year. In excess of 475 units which are due for delivery in 2020 are now sold, signed or reserved substantially underpinning the Group's delivery target for 2020 of 1,000. Furthermore, existing open sites are capable of delivering in excess of 4,800 units.

#### a. Suburban Sales

Thirteen selling sites delivered the Group's Suburban units for 2019 with both existing and new selling sites performing well throughout the period. New selling sites in 2019 included Blackrock Villas, Ledwill Park, Mountwoods, Semple Woods, and Knightsgate. These sites will each be delivering sales again in 2020 with Barnhall Meadows, Oldbridge Manor, Bellingsmore, Silver Banks, The Collection and The Hawthorns also coming onstream as selling sites.

On 25 March 2019 the Group announced that it had exchanged contracts with Irish Residential Properties REIT PLC ("I●RES") whereby Glenveagh agreed to forward sell 118 housing units to I●RES. The transaction comprised two, three and four bed homes at Taylor Hill, Balbriggan and Semple Woods, Donabate. The Gross Development Value ("GDV") was €38m[7] and all units have since been delivered. This transaction is representative of the demand from institutions which the Group continues to see across our Suburban portfolio.

House Price Inflation ("HPI") in the Group's starter-home focused Suburban segment was 2.75%[8].

#### b. Urban Sales

In November the Group successfully completed the sale of its 90-unit Urban apartment development at Herbert Hill, Dundrum to Real I.S.. The depth of institutional demand to acquire this development reflects the quality of the product delivered and the attractiveness of Glenveagh as a counterparty. The success of this process gives the Group confidence in the deliverability of future Urban PRS sales.

The extent of the institutional demand for high quality residential product is such that the Group now expects to forward fund a series of Urban apartment developments. Once successfully forward funded these developments will deliver revenue, profits and cash for the Group in advance of the full delivery of the unit output targets.

The first site in Glenveagh's portfolio to be delivered under a forward funding arrangement will be East Road where the Group are now in exclusivity in respect of 448 units and corresponding land portion of the site. The transaction once completed will result in land and construction revenues for the Group from 2020. The Group expects to be in a position to provide a further update in this regard later in 2020.

### ii. Partnerships

[7] Inclusive of VAT
[8] Based on reservations Q3 2019 vs Q3 2018

Glenveagh has identified a pipeline of over 5,000 units which are likely to be tendered by local authorities in the coming years. Of that pipeline, Glenveagh is actively tendering on schemes which, if awarded, could deliver up to 2,000 units across the three tenure types (Private (owner occupiers and PRS), Social and Affordable). These processes are likely to reach a conclusion (with contracts awarded) in 2020.

## iii. Group Construction Progress

2019 was another strong year on the construction front where the Group opened six construction sites assisted by the formation of dedicated site opening teams. Allowing for completed developments at Proby Place and Holsteiner Park, the Group were actively constructing on 17 sites during 2019 with a further four sites scheduled to open in H1 2020.

Group CPI remains in line with expectations and visibility on 2020 costs has increased with in excess of 85% of costs associated with 2020 deliveries now agreed. Construction price inflation on our housing developments continues to be muted.

### c. Suburban Construction

The pace of site openings in 2019 was most evident on our Suburban sites with five openings during the period. Construction is progressing well on each of the sites with all active Suburban sites expected to deliver completed units in 2020.

A further two Suburban sites at are due to commence construction in Q1 2020.

### d. Urban Construction

Following the successfully completed construction works at Herbert Hill in 2019 the Group has continued to add to its strong Urban delivery capability by expanding the team via a number of experienced hires who have a strong track record of large-scale apartment delivery in both the London and Dublin markets.

Works have commenced on our 71 unit development on our Bray site opposite the train station with that development expected to deliver units from 2021. Enabling works are on-going at the Group's first Docklands site (East Road) where construction is due to commence in H1 2020 upon the successful completion of a forward-funding arrangement with an institutional counterparty.

### e. Supply Chain Integration

The Group continues to invest in more efficient and cost-effective construction techniques. Early initiatives have included the optimisation of our processes and finished product, in addition to adopting modern building practices, including utilising off site timber-frame and modular manufacturing systems.

In order to further enhance the Group's timber-frame construction solutions and guarantee long-term supply, Glenveagh has entered into an exclusive multi-year open book supply agreement with one of its existing timber-frame suppliers based in Ireland, Keenan Timber Frame Limited ("KTF").

In conjunction with the agreement the Group has purchased a production facility in a strategic location close to its active construction sites for approximately €5 million. This manufacturing facility will be leased to KTF and once operational will allow KTF to supply timber frame product exclusively for Glenveagh.

The open book supply agreement and the factory investment by Glenveagh will help underpin Glenveagh's medium and long-term housing delivery targets while also allowing the Group to benefit from any savings delivered as a result of the partnership. The factory is due to be operational by April and will initially have the capability to deliver approximately 800 timber frame units per annum with the option to expand this capacity in the future with limited investment.

Separately, the Group's quarry for the offsite disposal of inert material is due to be operational from Q2 further de-risking the costs associated with groundworks on site.

## iv. Planning

98% of our lands are zoned residential. To further de-risk our near-term unit delivery targets and ensure we have 'shovel ready' sites available in the medium-term, we are highly active in both the fast-track Strategic Housing Development ("SHD") planning process and local authority applications.

During the period the Group progressed its Dublin Docklands development portfolio in terms of master planning and design, and in October our East Road site in the Dublin Docklands received planning permission for 554 units. The balance of the Docklands portfolio will reach the formal application phase during H1 2020 with the Castleforbes residential SHD planning expected in H2 2020.

A planning application has already been granted on the non-residential elements of the Castleforbes site (hotel and office) and Glenveagh has entered into a pre-let transaction with Whitbread plc for a proposed 250-bedroom hotel on the site. Securing a strong counterparty like Whitbread with a robust institutionally accepted covenant will add value to the overall project and provide Glenveagh with flexibility in the context of future exit options for Castleforbes.

An additional eight schemes were granted permission during the period including 251 units at Eden in Cork.

The Group currently has 29 applications at various stages of the planning and design process totalling over 6,000 units.

## v. Development Land Portfolio Management

Our 14,500 unit landbank has been assembled at attractive rates in the context of both cost per plot €43k[9] and site cost as a percentage of NDV 15%[9] in locations with significant pent up demand for starter-home product and quality PRS accommodation. With our net euro investment in land now complete the Group is focused on refining our development land portfolio to position the Group to deliver its medium-term output targets. The Group strategically added to its development land portfolio via a number of attractive acquisitions in 2019 with total development land investment during the period of approximately €109m[9] (2,600 units).

Our latest acquisitions have been focussed on smaller ticket sizes reflecting the Group's strategy for maximising the number of open sales outlets. Management's view remains that the appropriate landbank size is approximately five years in duration when the business is as at full run-rate.

Details of our primary land acquisitions during 2019 are as follows:

| Location | Site | Business Unit | Size | Units | Cost[9] |
|---|---|---|---|---|---|
| Douglas, Co. Cork | Maryborough Ridge | Suburban | 24 acres | 504 | €13 million |

[9] Excluding Fees and Stamp Duty

| | | | | | |
|---|---|---|---|---|---|
| Castleknock, Co. Dublin | Castleknock | Urban | 4acres | 192 | €9 million |
| Leixlip and Newbridge Co. Kildare | Project Arrow | Suburban | 94 acres | 873 | €50 million |
| Drogheda, Co. Meath | Oldbridge Manor | Suburban | 30 acres | 274 | €7 million |
| Howth, Co. Dublin | Howth | Urban | 7 acres | 200 | €14 million |
| Kilruddery, Co. Wicklow | Bray | Suburban | 11 acres | 150 | €10 million |

## vi. Sustainability Agenda Progress

From the outset, the Group has had creating a sustainable business at the core of its strategic objectives. Our environmental and social agenda continues to gain pace along with the delivery of our strategic objectives.

**Health and Safety**
Health and Safety is at the heart of our operations. In 2019 the Group achieved a Highly Commended Award from NISO and a Grade A T Cert but there is always more that can be done in this area and as a market leader, it is incumbent upon us to continue to drive the health and safety agenda. Therefore, the Group is implementing ISO 45001:2018 Occupational Health & Safety Management.

**People**
Key to scaling the business for the long term has been our people. Growing the business from 75 employees at IPO to over 330 today fostered a culture which has not only empowered talent but which also embraced equal opportunities, diversity and inclusion. We have a strong gender balance ratio compared to the industry average (Glenveagh 19%, Industry average 5.5%[10]. Glenveagh works closely with the Construction Industry Federation ("CIF") on initiatives to encourage female participation in the industry and sponsored the CIF's "International Women Day Conference in 2019 and will do so again in 2020.

At Glenveagh we encourage an inclusive culture of equal opportunities, where employees have a voice and feel valued and talent is nurtured. Glenveagh held a Diversity day 2019 and provided diversity and inclusion workshops for all managers. We will be again carrying out Diversity and Inclusion training in 2020. We have signed up to the CIF Diversity Charter with a view to gaining bronze accreditation in 2020.

We are committed to providing a great place to work for our people. We carry out annual employee surveys to ensure engagement with employees and encourage frequent engagement through line management. We work on the lowest scoring areas to improve in these areas and also focus on our highest scoring areas to ensure we maintain these results.

During 2019 the Board announced the appointment of Pat McCann and Cara Ryan as non-executive directors. Pat is the CEO of Dalata Hotels Group plc and brings almost 50 years' experience in Irish business, real estate and consumer facing businesses to the Glenveagh Board. Cara is a seasoned non-executive director, with proven expertise in the real estate and finance sectors.

[10] CIF Women in Construction Industry Report 2018

**Customer**

Exceeding customer expectations is central to the Group's strategy of creating the leading home building platform in Ireland. Built around the objectives of access, quality and innovation our customer service offering has brought a new professionalism to the industry. Customer satisfaction has been a KPI for the entire business since inception and drives an element of all staff's variable remuneration. Despite there being no published benchmarks in Ireland we engage an independent external firm to survey our customers. Full variable remuneration is not paid to employees unless the equivalent of five star status in the UK is achieved

**Sustainable Communities**

Contributing to sustainable communities is a key feature of our approach to planning and design. In 2020 the Group will commence works on our first urban brownfield regeneration project in Dublin's Docklands. This is the first project of its type to be delivered by the Group and forms part of a portfolio of over 2,000 urban brownfield units which will be delivered by the Group between now and 2024.

Glenveagh is pleased to confirm that the Group has been shortlisted as a finalist in Residential Category for the upcoming Irish Construction Excellence Awards.

**Environmental and Quality**

The environmental sustainability of our housing is at the forefront of business decisions. All houses and apartments delivered by the Group in 2019 had a BER rating of A3 or better. Glenveagh intend to replicate and improve on this in 2020 and future periods.

Our efforts in providing sustainable energy efficient homes are replicated in reducing the environmental footprint of our operations. Initiatives to date have included the introduction of electric vehicles, the use of recycled materials on site and a minimisation of waste across the business. Glenveagh has also commenced the implementation of ISO 14001:2015 Environmental Management System.

## 3. FINANCIAL REVIEW

### i. Group performance

Glenveagh had another strong year in 2019 both from an operational and financial perspective. The total unit completions for the year was 844 units (2018: 275), a 207% increase on the prior year and 16% higher than our market guidance of 725 units.

Group revenue was €284.6m (2018: €84.2m) for the year with €280m (€79m) relating to the 844 units. The continued strong demand for our first-time buyer product is evident from our Average Selling Price ('ASP') for the year of €332k (2018: €287k). Revenue included total consideration of €4.3m (2018: €5m) from a number of non-core site disposals.

The Group's gross profit for the year amounted to €51.5m (2018: €15.3m) with an overall gross margin of 18.1% (2018: 18.2%). The strong margin performance demonstrates continued margin progression in our underlying housing margin which was 17% in 2018.

Our operating profit (pre-exceptional items) was €30.5m (2018: loss of €2.1m), which is a 10.7% operating margin and is in line with expectations. The Group's central costs for the year were €19.6m (2018: €17.2m), which along with €1.4m (2018: €0.2m) of depreciation and amortisation gives total administrative expenses (pre-exceptional items) of €21.0m (2018: €17.4m).

The exceptional costs of €1.1m (2018: €0.4m) incurred in the year relate to redundancy and restructuring costs and costs associated with the cessation of the Hollystown Golf and Leisure Limited business in December 2019.

Net finance costs for the year were €2.7m (2018: €1.4m), primarily reflecting interest on the drawn portion of our Revolving Credit Facility, commitment fees on the undrawn element of the facility and arrangement fees, which are being amortised over the life of the facility.

Overall, the Group delivered a profit after tax of €22.8m, which shows significant progression from the loss of €3.9m incurred in 2018, and current year earnings per share of 2.6 cent (2018: Loss per share of 0.5 cent).

### ii. Statement of Financial Position

The Group's net asset value has increased to €867m at 31 December 2019 (2018: €843m). The Group has shown substantial growth during the year with the land portfolio increasing to €668m (2018: €618m).

The Group has also made a significant investment in work in progress in line with the continued ramp-up of the business with a year-end balance of €173m (2018: €101m). The investment in the land portfolio and work in progress has been financed through the Group's net cash balances, which have decreased to €53m at 31 December 2019 (2018: €131m).

### iii. Cash Flow

The Group had a net cash outflow in the year of €37.5m, a significant reduction from €221m in the prior year. This reduction comes from a combination of improved cash generation from the business and a reduced spend on land.

Given the strong landbank now in place, our net inventory spend for the year was €119m, with the vast majority of that related to work in progress, compared to a net inventory spend of €432m in 2018.

The Group had a net cash position of €53m (2018: €131m) at year-end, with €93m of cash and approximately €40m of debt from our Revolving Credit Facility.

As expected, we utilised this debt facility to a greater extent in 2019 to fund our investment in work in progress. We drew down €120m (2018: €26m) and repaid €80m (2018: €26m) from the facility at various points during the year. The increased utilisation of the facility will continue in 2020 as we open more construction sites in line with our strategy.

**ENDS**

# Glenveagh Properties PLC

## Consolidated statement of profit or loss and other comprehensive income

*For the financial year ended 31 December 2019*

| | | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|---|
| | *Note* | **Before exceptional items €'000** | **Exceptional items €'000** | **Total €'000** | **Before exceptional items €'000** | **Exceptional items €'000** | **Total €'000** |
| Revenue | *10* | **284,637** | **-** | **284,637** | 84,179 | - | 84,179 |
| Cost of sales | | **(233,150)** | **-** | **(233,150)** | (68,887) | - | (68,887) |
| **Gross profit** | | **51,487** | **-** | **51,487** | 15,292 | - | 15,292 |
| Administrative expenses | *11* | **(21,005)** | **(1,125)** | **(22,130)** | (17,438) | (409) | (17,847) |
| **Operating profit/(loss)** | | **30,482** | **(1,125)** | **29,357** | (2,146) | (409) | (2,555) |
| Finance expense | *12* | **(2,666)** | **-** | **(2,666)** | (1,414) | - | (1,414) |
| **Profit/(loss) before tax** | *13* | **27,816** | **(1,125)** | **26,691** | (3,560) | (409) | (3,969) |
| Income tax (charge)/credit | *17* | **(3,944)** | **93** | **(3,851)** | 39 | - | 39 |
| **Profit/(loss) after tax attributable to the owners of the Company** | | **23,872** | **(1,032)** | **22,840** | (3,521) | (409) | (3,930) |
| Other comprehensive income | | - | - | - | - | - | - |
| **Total comprehensive income/(loss) for the year attributable of the owners of the Company** | | | | **22,840** | | | (3,930) |
| **Basic earnings/(loss) per share (cents)** | *16* | | | **2.62** | | | (0.53) |
| **Diluted earnings/(loss) per share (cents)** | *16* | | | **2.62** | | | (0.53) |

# Glenveagh Properties PLC

## Consolidated balance sheet
*as at 31 December 2019*

| | Note | 2019<br>€'000 | 2018<br>€'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | *18* | **18,142** | 11,497 |
| Intangible assets | *19* | **944** | 727 |
| Deferred tax asset | *17* | **128** | 208 |
| Restricted cash | *24* | **1,500** | 1,500 |
| | | **20,714** | 13,932 |
| **Current assets** | | | |
| Inventory | *20* | **840,487** | 718,862 |
| Trade and other receivables | *21* | **12,241** | 14,507 |
| Income tax receivable | | **-** | 340 |
| Cash and cash equivalents | *27* | **93,224** | 130,701 |
| | | **945,952** | 864,410 |
| **Total assets** | | **966,666** | 878,342 |
| **Equity** | | | |
| Share capital | *26* | **1,052** | 1,052 |
| Share premium | | **879,281** | 879,281 |
| Retained earnings | | **(57,821)** | (80,661) |
| Share-based payment reserve | | **44,035** | 43,443 |
| **Total equity** | | **866,547** | 843,115 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Trade and other payables | *22* | **-** | 1,803 |
| Lease liabilities | *28* | **319** | 5 |
| | | **319** | 1,808 |
| **Current liabilities** | | | |
| Trade and other payables | *22* | **56,218** | 33,386 |
| Income tax payable | | **3,737** | - |
| Loans and borrowings | *23* | **39,569** | - |
| Lease liabilities | *28* | **276** | 33 |
| | | **99,800** | 33,419 |
| **Total liabilities** | | **100,119** | 35,227 |
| **Total liabilities and equity** | | **966,666** | 878,342 |

| | | |
|---|---|---|
| Michael Rice<br>*Director* | Stephen Garvey<br>*Director* | 27 February 2020 |

# Glenveagh Properties PLC

## Consolidated statement of changes in equity
*for the financial year ended 31 December 2019*

| | Share Capital | | | Share-based | | |
|---|---|---|---|---|---|---|
| | Ordinary shares €'000 | Founder shares €'000 | Share premium €'000 | payment reserve €'000 | Retained earnings €'000 | Total equity €'000 |
| **Balance as at 1 January 2019** | **871** | **181** | **879,281** | **43,443** | **(80,661)** | **843,115** |
| **Total comprehensive income for the financial year** | | | | | | |
| Profit for the financial year | - | - | - | - | **22,840** | **22,840** |
| Other comprehensive income | - | - | - | - | - | - |
| | **871** | **181** | **879,281** | **43,443** | **(57,821)** | **865,955** |
| **Transactions with owners of the Company** | | | | | | |
| Equity-settled share-based payments | **-** | **-** | **-** | **592** | **-** | **592** |
| | **-** | **-** | **-** | **592** | **-** | **592** |
| **Balance as at 31 December 2019** | **871** | **181** | **879,281** | **44,035** | **(57,821)** | **866,547** |

# Glenveagh Properties PLC

## Consolidated statement of changes in equity
*for the financial year ended 31 December 2018*

| | Share Capital | | | Share-based | | |
|---|---|---|---|---|---|---|
| | **Ordinary shares €'000** | **Founder shares €'000** | **Share premium €'000** | **payment reserve €'000** | **Retained earnings €'000** | **Total equity €'000** |
| **Balance as at 1 January 2018** | 667 | 200 | 666,381 | 47,548 | (74,112) | 640,684 |
| **Total comprehensive loss for the financial year** | | | | | | |
| Loss for the financial year | - | - | - | - | (3,930) | (3,930) |
| Other comprehensive income | - | - | - | - | - | - |
| | 667 | 200 | 666,381 | 47,548 | (78,042) | 636,754 |
| **Transactions with owners of the Company** | | | | | | |
| Issue of ordinary shares for cash | 185 | - | 212,900 | - | - | 213,085 |
| Share issue costs | - | - | - | - | (7,131) | (7,131) |
| Conversion of Founder Shares to ordinary shares | 19 | (19) | - | (4,512) | 4,512 | - |
| Equity-settled share-based payments | - | - | - | 407 | - | 407 |
| | 204 | (19) | 212,900 | (4,105) | (2,619) | 206,361 |
| **Balance as at 31 December 2018** | 871 | 181 | 879,281 | 43,443 | (80,661) | 843,115 |

# Glenveagh Properties PLC

## Consolidated statement of cash flows

*For the financial year ended 31 December 2019*

| | Note | 2019 €'000 | 2018 €'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit/(loss) for the financial year | | **22,840** | (3,930) |
| *Adjustments for:* | | | |
| Depreciation and amortisation | | **1,391** | 235 |
| Finance costs | *12* | **2,666** | 1,414 |
| Equity-settled share-based payment expense | *15* | **592** | 407 |
| Tax charge/(credit) | *17* | **3,851** | (39) |
| (Profit)/loss on disposal of property, plant and equipment | *18* | **(456)** | 18 |
| | | **30,884** | (1,895) |
| *Changes in:* | | | |
| Inventories | | **(118,605)** | (432,031) |
| Trade and other receivables | | **(1,036)** | 11,076 |
| Trade and other payables | | **21,346** | 23,126 |
| Cash used in operating activities | | **(67,411)** | (399,724) |
| Interest paid | | **(2,472)** | (1,218) |
| Tax refund/(paid) | | **276** | (32) |
| **Net cash used in operating activities** | | **(69,607)** | (400,974) |
| **Cash flows from investing activities** | | | |
| Acquisition of property, plant and equipment | *18* | **(7,747)** | (10,622) |
| Acquisition of intangible assets | *19* | **(491)** | (564) |
| Cash acquired on acquisition | | **-** | 15 |
| Proceeds from the sale of property, plant and equipment | | **1,160** | - |
| Acquisition of subsidiary (net of cash acquired) | | **-** | (13,663) |
| **Net cash used in investing activities** | | **(7,078)** | (24,834) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of share capital | | **-** | 213,085 |
| Issue costs paid | | **-** | (7,131) |
| Proceeds from loans and borrowings | | **120,000** | 26,000 |
| Repayment of loans and borrowings | | **(80,000)** | (26,000) |
| Transaction costs related to loans and borrowings | | **-** | (1,025) |
| Payment of lease liabilities | | **(792)** | (216) |
| **Net cash from financing activities** | | **39,208** | 204,713 |
| **Net decrease in cash and cash equivalents** | | **(37,477)** | (221,095) |
| Cash and cash equivalents at the beginning of the year | | **130,701** | 351,796 |
| **Cash and cash equivalents at the end of the year** | | **93,224** | 130,701 |

# Notes to the consolidated financial statements
*For the financial year ended 31 December 2019*

## 1 Reporting entity

Glenveagh Properties PLC ("the Company) is domiciled in the Republic of Ireland. The Company's registered office is 15 Merrion Square North, Dublin 2. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as "the Group") and cover the financial year ended 31 December 2019. The Group's principal activities are the construction and sale of houses and apartments for the private buyer, local authorities and the private rental sector.

## 2 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS's) as adopted by the European Union which comprise standards and interpretations approved by the International Accounting Standards Board (IASB), and those parts of the Companies Act 2014 applicable to companies reporting under IFRS and Article 4 of the IAS regulation.

This is the Group's first set of annual financial statements in which IFRS 16 *Leases* has been applied. The related changes to significant accounting policies are described in Note 6. Other than the adoption of IFRS 16, there have been no other significant changes to the Group's accounting policies during the year.

## 3 Functional and presentation currency

These consolidated financial statements are presented in Euro which is the Company's functional currency. All amounts have been rounded to the nearest thousand unless otherwise indicated.

## 4 Use of judgements and estimates

Management applies the Group's accounting policies as described in Note 8 when making critical accounting judgements, of which no individual judgement is deemed to have a significant impact upon the financial statements, apart from the estimation involved in assessing the carrying value of inventories as detailed below.

### *(a) Carrying value of work-in-progress, estimation of costs to complete and impact on profit recognition*

The Group holds inventories stated at the lower of cost and net realisable value. Such inventories include land and development rights, work-in-progress and completed units. As residential development is largely speculative by nature, not all inventories are covered by forward sales contracts. Furthermore, due to the nature of the Group's activity and, in particular the scale of its developments and the length of the development cycle, the Group has to allocate site-wide development costs between units being built and/or completed in the current year and those for future years. It also has to forecast the costs to complete on such developments. These estimates impact management's assessment of the net realisable value of the Group's inventory balance and also determine the extent of profit or loss that should be recognised in respect of each development in each reporting period.

In making such assessments and allocations, there is a degree of inherent estimation uncertainty. The Group has established internal controls designed to effectively assess and centrally review inventory carrying values and ensure the appropriateness of the estimates made. These assessments and allocations evolve over the life of the development in line with the risk profile, and accordingly the margin recognised reflects these evolving assessments, particularly in relation to the Group's long-term developments.

## 5 Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, both for financial and non-financial assets and liabilities. Fair value is defined in IFRS 13, *Fair Value Measurement,* as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

- Note 15 Share-based payments; and
- Note 27 Financial instruments and financial risk management.

## 6 Changes in significant accounting policies

The Group has initially adopted IFRS 16 *Leases* from 1 January 2019. A number of other new standards (IFRIC 23 *Uncertainty on Tax Treatments* and *Annual Improvements to IFRS 2015-2017*) are effective from 1 January 2019 but they do not have a material effect on the Group's financial statements.

The Group has applied IFRS 16 using the modified retrospective approach, under which the right-of-use asset has been measured at an amount equal to the lease liability. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policy are disclosed below. The Group's new accounting policy is included in Note 8.13. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

*a) Definition of a lease*

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

*b) As a lessee*

As a lessee, the Group leases assets including a property and motor vehicles. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises a right-of-use assets and leases liabilities for most of these leases – i.e. these leases are on-balance sheet.

**6 Changes in significant accounting policies** *(continued)*

*b) As a lessee (continued)*

For leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

i. *Leases classified as operating leases under IAS 17*

Previously, the Group classified property and certain motor vehicles as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019 (see Note 6(i). Right-of-use assets are measured at an amount equal to the lease liability. The Group applied this approach to all leases.

The Group tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for lease for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and,
- used hindsight when determining the lease term.

ii. *Leases classified as finance leases under IAS 17*

Previously, the Group leased certain motor vehicles and these leases were classified as finance leases under IAS *17*. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and the lease liability under IAS 17 immediately before that date.

*c) As a lessor*

In certain instances the Group acts as a lessor in relation to certain property assets. These arrangements are not material to the Group's consolidated financial statements.

*d) Impact on financial statements*

*(i) Impact on transition**

On transition to IFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities. The impact on transition is summarised below and further detail is provided in Note 28.

| | **1 January 2019 €'000** |
|---|---|
| Right-of-use assets presented in Property, Plant and Equipment | **1,227** |
| Lease liabilities | **1,227** |

**6 Changes in significant accounting policies** *(continued)*

*i. Impact on financial statements (continued)*

*(j) Impact on transition (continued)**

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The discount rate applied for all leases ranged between 2.5%-4%.

| | **1 January 2019 €'000** |
|---|---|
| Operating lease commitment at 31 December 2018 disclosed in the Group's consolidated financial statements | **1,305** |
| Discounted using the incremental borrowing rate at 1 January 2019 | **1,248** |
| Finance lease liabilities recognised as at 31 December 2018 | **38** |
| Recognition exemption for leases with less than 12 month of lease term at transition | **(59)** |
| **Lease liabilities recognised at 1 January 2019** | **1,227** |

*For the impact of IFRS 16 on profit or loss for the year and consolidated statement of cash flows, see Note 28. For the impact of IFRS 16 on segment information see Note 9.

**7 Going concern**

The Group has recorded a profit after tax of €22.8 million *(2018: loss of €3.9 million).* The Group has a cash balance of €93.2 million *(2018: €130.7 million)* and has committed undrawn funds available of €85 million *(2018: €125 million)*. Having considered the Group's cash flow forecasts, the Directors believe that the Group has adequate resources to continue in operational existence for the foreseeable future and that it is appropriate to prepare the financial statements on a going concern basis.

**8 Significant accounting policies**

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise.

**8.1 Basis of consolidation**

***(i) Business combinations***

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

## 8 Significant accounting policies *(continued)*

### 8.1 Basis of consolidation *(continued)*

***(ii) Subsidiaries***

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

**(iii)** ***Joint operations***

Joint operations arise where the Group has joint control of an operation with other parties, in which the parties have direct rights to the assets and obligations of the operation. The Group accounts for its share of the jointly controlled assets and liabilities and income and expenditure on a line by line basis in the consolidated financial statements.

***(iv) Transactions eliminated on consolidation***

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

### 8.2 Revenue

The Group develops and sells residential properties. Revenue is recognised at the point in time when control over the property has been transferred to the customer, which occurs at legal completion. Revenue is measured at the transaction price agreed under the contract.

### 8.3 Expenditure

Expenditure recorded in inventory is expensed through cost of sales at the time of the related property sale. The amount of cost related to each property includes its share of the overall site costs. Administration expense is recognised in respect of goods and services received when supplied in accordance with contractual terms.

### 8.4 Taxation

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

***(i) Current tax***

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

**8 Significant accounting policies** *(continued)*

**8.4 Taxation** *(continued)*

***(ii) Deferred tax***

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

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

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary difference when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

**8.5 Share-based payment arrangements**

The grant date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions or market conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

**8 Significant accounting policies** *(continued)*

**8.6 Exceptional items**

Exceptional items are those that are separately disclosed by virtue of their nature or amount in order to highlight such items within the consolidated statement of profit or loss for the financial year. Group management exercises judgement in assessing each particular item which, by virtue of its scale or nature, should be highlighted as an exceptional item. Exceptional items are included within the profit or loss caption to which they relate.

In the current financial year, redundancy and restructuring costs and costs associated with the cessation of the Hollystown Golf and Leisure Limited business are considered exceptional items (Note 11). The directors believe that separate presentation of these exceptional expenses is useful to the reader as it allows clear presentation of the results of the underlying business and is relevant for an understanding of the Group's performance in the financial year.

**8.7 Property, plant and equipment**

Property, plant and equipment is carried at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided to write off the cost of the assets on a straight-line basis to their residual value over their estimated useful lives at the following annual rates:

- Buildings 2.5%
- Plant and machinery 14-20%
- Fixtures and fittings 20%
- Computer Equipment 33%

The assets' residual values, carrying values and useful lives are reviewed on an annual basis and adjusted if appropriate at each reporting date.

Where an impairment is identified, the recoverable amount of the asset is identified and an impairment loss, where appropriate, is recognised in the statement of profit or loss and other comprehensive income.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within administration expenses in the statement of profit or loss and other comprehensive income.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

**8.8 Intangible assets – computer software**

Computer software is capitalised as intangible assets as acquired and amortised on a straight-line basis over its estimated useful life of 3 years, in line with the period over which economic benefit from the software is expected to be derived.

The assets' useful economic lives and residual values are reviewed and adjusted, if appropriate, at each reporting date.

## 8 Significant accounting policies *(continued)*

### 8.9 Inventory

Inventory comprises property in the course of development, completed units, land and land development rights.

Inventories are valued at the lower of cost and net realisable value. Direct cost comprises the cost of land, raw materials and development costs but excludes indirect overheads. Land purchased for development, including land in the course of development, is initially recorded at cost.

Where such land is purchased on deferred settlement terms, and the cost differs from the amount that will subsequently be paid in settling the liability, this difference is charged as a finance cost in the statement of profit or loss and other comprehensive income over the period to settlement.

A provision is made, where appropriate, to reduce the value of inventories and work-in-progress to their net realisable value.

### 8.10 Financial instruments

**Financial assets and financial liabilities**
Under IFRS 9, financial assets and financial liabilities are initially recognised at fair value and are subsequently measured based on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Group's designation of such instruments. The standards require that all financial assets and financial liabilities be classified as fair value through profit or loss ("FVTPL"), amortised cost, or fair value through other comprehensive income ("FVOCI").

**Classification of financial instruments**
The following summarises the classification and measurement the Group has elected to apply to each of its significant categories of financial instruments:

| Type | IFRS 9 Classification |
|---|---|
| **Financial assets** | |
| Cash and cash equivalents | Amortised cost |
| Other receivables | Amortised cost |
| Restricted cash | Amortised cost |
| Construction bonds | Amortised cost |
| **Financial liabilities** | |
| Bank indebtedness | Amortised cost |
| Accounts payable and accrued liabilities | Amortised cost |

## 8 Significant accounting policies *(continued)*

### 8.10 Financial instruments *(continued)*

**Cash and cash equivalents**
Cash and cash equivalents include cash and short-term investments with an original maturity of three months or less. Interest earned or accrued on these financial assets is included in other income.

**Other receivables**
Such receivables are included in current assets, except for those with maturities more than 12 months after the reporting date, which are classified as non-current assets. Loans and other receivables are included in trade and other receivables on the consolidated balance sheets and are accounted for at amortised cost. These assets are subsequently measured at amortised cost. The amortised cost is reduced by impairment losses. The Group recognises impairment losses on an 'expected credit loss' model (ECL model) basis in line with the requirements of IFRS 9. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

**Restricted cash**
Restricted cash includes cash amounts which are classified as non-current assets and held in escrow until the completion of certain criteria.

**Construction bonds**
Construction bonds includes amounts receivable in relation to the completion of construction activities on sites. These assets are included in trade and other receivables on the consolidated balance sheets and are accounted for at amortised cost.

**Other liabilities**
Such financial liabilities are recorded at amortised cost and include all liabilities.

### 8.11 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle that obligation, and the amount has been reliably estimated.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability, where the effect of discounting is considered significant. The unwinding of the discount is recognised as a finance cost.

### 8.12 Pensions

The Group operates a defined contribution scheme. The assets of the scheme are held separately from those of the Group in a separate fund. Obligations for contributions to defined contribution plans are expensed as the related service is provided.

**8 Significant accounting policies** *(continued)*

**8.13 Leases**

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

***Policy applicable from 1 January 2019***

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

i. As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component and non-lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and motor vehicles. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate with reference to its current financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

**8 Significant accounting policies** *(continued)*

**8.13 Leases** *(continued)*

***Policy applicable from 1 January 2019*** *(continued)*

i. As a lessee *(continued)*

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'lease liability' in the statement of financial position.

*Short-term leases and leases of low-value assets*

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term lease. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

*ii) As a lessor*

In certain instances the Group acts as a lessor in relation to certain property assets. These arrangements are not material to the Group's consolidated financial statements.

**Policy applicable before 1 January 2019**

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
    - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
    - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
    - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

*i. As a lessee*

Leases of property, plant and equipment that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

**8 Significant accounting policies** *(continued)*

**8.13 Leases** *(continued)*

**Policy applicable before 1 January 2019** *(continued)*

*i. As a lessee (continued)*

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

*ii. As a lessor*

In certain instances, the Group acts as a lessor in relation to certain property assets. These arrangements are not material to the Group's consolidated financial statements.

**8.14 Share capital**

***(i) Ordinary shares***

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity (retained earnings).

***(ii) Founder Shares***

Founder Shares were initially issued as ordinary shares and subsequently re-designated as Founder Shares. Following re-designation, the instruments are accounted for as equity-settled share-based payments as set out at Note 8.5 above.

**8.15 Finance income and costs**

The Group's finance income and finance costs include:

- Interest income
- Interest expense

Interest income and expense is recognised using the effective interest method.

## 9 Segmental information

The Group has considered the requirements of IFRS 8 *Operating Segments* in the context of how the business is managed and resources are allocated.

In 2019, the Group was organised into two key reportable operating segments being Glenveagh Homes and Glenveagh Living. Internal reporting to the Chief Operating Decision Maker (“CODM”) is provided on this basis. The CODM has been identified as the Executive Committee (as detailed in the Corporate Governance Statement).

The Group currently operates solely in the Republic of Ireland and therefore no geographically segmented financial information is provided.

*Glenveagh Homes*
Glenveagh Homes develops and builds starter, mid-size, executive and high-end homes (both houses and apartments) for the residential market in Ireland, with a focus principally on the Greater Dublin Area, as well as the Cork, Limerick and Galway regions.

*Glenveagh Living*
Glenveagh Living’s strategic focus is on designing, developing and delivering residential solutions for institutional investors, social and affordable landlords, government entities and strategic landowners. Glenveagh Living intends to augment its operations with partnership arrangements to design, develop and deliver residential schemes for purchase by institutional investors, approved housing authorities and governmental and local authorities in Ireland. Glenveagh Living is also the Group's delivery platform for Private Rental Sector (“PRS”) projects, which are residential projects that governmental authorities promote by offering a range of financial incentives, such as by granting guarantees and other financial risk sharing incentives, in order to increase the supply of properties in the build-to-rent market. Glenveagh Living develops residential schemes for private sector investors in PRS projects.

The Group’s activities have been restructured from 2020 onwards into new operating segments being Suburban, Urban and Partnerships with internal reporting to the CODM being modified to reflect this new structure. As such, segmental information will be presented in line with this new structure and the requirements of IFRS 8 *Operating Segments* in future reporting periods.

## 9 Segmental information *(continued)*

### Segmental financial results

| | 2019 €'000 | 2018 €'000 |
|---|---|---|
| *Revenue* | | |
| Glenveagh Homes | **284,596** | 84,115 |
| Glenveagh Living | **41** | 64 |
| Revenue for reportable segments | **284,637** | 84,179 |
| *Operating profit/(loss)* | | |
| Glenveagh Homes | **41,812** | 6,311 |
| Glenveagh Living | **(1,983)** | (1,306) |
| Operating profit for reportable segments | **39,829** | 5,005 |
| *Reconciliation to results for the year* | | |
| Segment results – operating profit | **39,829** | 5,005 |
| Finance expense | **(2,666)** | (1,414) |
| Directors' remuneration | **(2,712)** | (2,003) |
| Corporate function payroll | **(3,631)** | (3,137) |
| Listing costs | **-** | (409) |
| Depreciation and amortisation | **(980)** | (34) |
| Professional fees | **(1,256)** | (845) |
| Share-based payment expense | **(592)** | (407) |
| Gain on sale of property, plant and equipment | **456** | - |
| Other corporate costs | **(1,757)** | (725) |
| Profit/(loss) before tax | **26,691** | (3,969) |

## Notes to the consolidated financial statements
*For the financial year ended 31 December 2019*

**9 Segmental information** *(continued)*

**Segment assets and liabilities**

| | 2019 Glenveagh Homes €'000 | 2019 Glenveagh Living €'000 | 2019 Total €'000 | 2018 Glenveagh Homes €'000 | 2018 Glenveagh Living €'000 | 2018 Total €'000 |
|---|---|---|---|---|---|---|
| *Segment assets* | **759,958** | **163,364** | **923,322** | 632,503 | 130,324 | 762,827 |
| *Reconciliation to Consolidated Balance Sheet* | | | | | | |
| Deferred tax asset | | | **31** | | | 71 |
| Trade and other receivables | | | **338** | | | 1,117 |
| Cash and cash equivalents | | | **25,251** | | | 106,650 |
| Property, plant and equipment | | | **16,855** | | | 7,677 |
| Intangible assets | | | **869** | | | - |
| | | | **966,666** | | | 878,342 |
| *Segment liabilities* | **54,872** | **1,292** | **56,164** | 30,708 | 2,660 | 33,368 |
| *Reconciliation to Consolidated Balance Sheet* | | | | | | |
| Trade and other payables | | | **4,386** | | | 1,663 |
| Interest accrual | | | **-** | | | 196 |
| Loans and Borrowings | | | **39,569** | | | - |
| | | | **100,119** | | | 35,227 |

## 10 Revenue

| | 2019 €'000 | 2018 €'000 |
|---|---|---|
| Residential property sales | **280,035** | 78,971 |
| Land sales | **4,300** | 4,950 |
| Income from property rental and other income | **302** | 258 |
| | **284,637** | 84,179 |

All revenue is earned in the Republic of Ireland.

## 11 Exceptional items

| | 2019 €'000 | 2018 €'000 |
|---|---|---|
| Redundancy costs | **817** | - |
| Hollystown Golf and Leisure Limited closure costs | **308** | - |
| Listing costs | - | 409 |
| | **1,125** | 409 |

In the current financial year, redundancy and restructuring costs and costs associated with the cessation of the Hollystown Golf and Leisure Limited business of €1.1 million have been classified as exceptional items in accordance with the Group's accounting policy set out at Note 8.6.

In the prior financial year, listing costs of €0.4 million relating to the Group's Firm Placing and Open Offer were classified as exceptional items in the prior financial year.

## 12 Finance Expense

| | 2019 €'000 | 2018 €'000 |
|---|---|---|
| Interest on secured bank loans | **2,634** | 1,414 |
| Finance cost on lease liabilities | **32** | - |
| | **2,666** | 1,414 |

## 13 Statutory and other information

| | 2019 €'000 | 2018 €'000 |
|---|---|---|
| Amortisation of intangible assets (Note 19) | **299** | 61 |
| Depreciation of property, plant and equipment (Note 18)* | **1,937** | 645 |
| Employment costs (Note 14) | **28,567** | 19,885 |
| (Profit)/loss on disposal of property, plant and equipment | **(456)** | 18 |

*Includes €0.8 million (*2018: €0.5 million*) capitalised in inventory during the year ended 31 December 2019

| **Auditor's remuneration** | | |
|---|---|---|
| Audit of Group, Company and subsidiary financial statements** | **120** | 120 |
| Other assurance services | **15** | 315 |
| Tax advisory services | **18** | 48 |
| Tax compliance services | **32** | 29 |
| | **185** | 512 |

| **Directors' remuneration** | | |
|---|---|---|
| Salaries, fees and other emoluments | **2,605** | 1,963 |
| Pension contributions | **88** | 40 |
| | **2,693** | 2,003 |

**Included in the auditor's remuneration for the Group is an amount of €0.015 million *(2018: €0.015 million)* that relates to the Company's financial statements.

## 14 Employment costs

The average number of persons employed by the Group (including executive directors) during the financial year was 313 *(Executive Committee: 4; Non-executive Directors:4, Construction: 198; and Other: 107)*. (*2018: Executive Committee: 4; Non-executive Directors: 4, Construction: 126; and Other: 66)*

The aggregate payroll costs of these employees for the financial year were:

| | | **2019** | | **2018** |
|---|---|---|---|---|
| | **Before Exceptional items €'000** | **Exceptional items €'000** | **Total €'000** | **Total €'000** |
| Wages and salaries | **23,723** | **745** | **24,468** | 16,998 |
| Social welfare costs | **2,316** | **72** | **2,388** | 1,685 |
| Pension costs - defined contribution | **1,119** | **-** | **1,119** | 795 |
| Share-based payment expense (Note 15) | **592** | **-** | **592** | 407 |
| | **27,750** | **817** | **28,567** | 19,885 |

€12.9 million (*2018: €7.3 million*) of employment costs were capitalised in inventory during the financial year.

## 15 Share-based payment arrangements

The Group operates three equity-settled share-based payment arrangements being the Founder Share scheme, the Long-Term Incentive Plan ("LTIP") and the Savings Related Share Option Scheme (known as the Save As You Earn or "SAYE" scheme). As described below, options were granted under the terms of the LTIP and SAYE schemes during the financial year.

*(a) Founder Share Scheme*

The founders of the Company (John Mulcahy, Justin Bickle (beneficially held by Durrow Ventures), and Stephen Garvey) subscribed for a total of 200,000,000 ordinary shares of €0.001 each for cash at par value during 2017, which were subsequently converted to Founder Shares in advance of the Company's initial public offering. These shares entitle the Founders to share 20% of the Company's Total Shareholder Return ("TSR") (being the increase in market capitalisation of the Company, plus dividends or distributions in the relevant period) in each of five individual testing periods up to 30 June 2022, subject to achievement of a performance condition related to the Company's share price. Further details in respect of the Founder Shares are outlined in Note 26.

Following the completion of the second test period (which ran from 1 March 2019 until 30 June 2019), it was confirmed that, the performance condition related to the Company's share price was not satisfied and therefore the Founder Share Value in respect of the test period was €nil and accordingly no Founder Shares were converted to ordinary shares during the year.

*(b) LTIP*

On 17 April 2019, the Remuneration and Nomination Committee approved the grant of 2,750,293 options to certain members of the management team in accordance with the terms of the Company's LTIP. These options will vest on completion of a three-year service period from grant date subject to the achievement of certain performance condition hurdles based on the Company's TSR across the vesting period. 25% of the award will vest once the 3-year annualised TSR reaches 6.25% per annum with the remaining options vesting on a pro rata basis up to 100% if TSR of 12.5% is achieved. The entire grant of options remain outstanding at 31 December 2019.

| | **Number of Options 2019** | **Number of Options 2018** |
|---|---|---|
| **LTIP options in issue at 1 January** | **2,351,743** | 1,588,500 |
| **Granted during the year** | **2,750,293** | 839,065 |
| **Forfeited during the year** | **(416,236)** | (75,822) |
| **LTIP options in issue at 31 December** | **4,685,800** | 2,351,743 |
| **Exercisable at 31 December** | **-** | - |

**15 Share-based payment arrangements** *(continued)*

*(b) LTIP (continued)*

The fair value of LTIP options granted in the period was measured using a Monte Carlo simulation. Service and non-market conditions attached to the arrangements were not taken into account when measuring fair value. The inputs used in measuring fair value at grant date were as follows:

| | **2019 Tranche 1** | **2018 Tranche 1** | **2018 Tranche 2** |
|---|---|---|---|
| **Fair value at grant date** | **€0.32** | **€0.48** | **€0.31** |
| Share price at grant date | €0.85 | €1.16 | €0.87 |
| Valuation methodology | Monte Carlo | Monte Carlo | Monte Carlo |
| Exercise price | €0.001 | €0.001 | €0.001 |
| Expected volatility | 27.0% | 34.3% | 28.1% |
| Expected life | 3 years | 3 years | 3 years |
| Expected dividend yield | 0% | 0% | 0% |
| Risk free rate | -0.55% | -0.45% | -0.42% |

The exercise price of all options granted under the LTIP to date is €0.001 and all options have a 7-year contractual life.

Given the Group did not have an extensive trading history at grant date, expected share price and TSR volatility was based on the volatility of a comparator group of peer companies over the expected life of the equity instruments granted together with consideration of the Group's actual trading volatility to date.

The Group recognised an expense of €0.6 million (*2017: €0.04* million) in the consolidated statement of profit or loss in respect of options granted under the LTIP.

*(c) SAYE Scheme*

On 1 October 2019, the Remuneration and Nomination Committee approved the grant of 966,420 options to employees of the Group. Under the terms of the scheme, employees may save up to €500 per month from their net salaries for a fixed term of three or five years and at the end of the savings period they have the option to buy shares in the Company at a fixed exercise price.

*Details of options outstanding and grant date fair value assumptions*

| | **2019** | | **2018** | |
|---|---|---|---|---|
| | **Number of Options 3 Year** | **Number of Options 5 Year** | **Number of Options 3 Year** | **Number of Options 5 Year** |
| | | | - | |
| **SAYE options in issue at 1 January** | **341,640** | **150,000** | - | - |
| **Granted during the financial year** | **771,420** | **195,000** | 356,040 | 150,000 |
| **Cancelled during the financial year** | **(306,720)** | **(35,000)** | (14,400) | - |
| **SAYE options in issue at 31 December** | **806,340** | **310,000** | 341,640 | 150,000 |

## 15 Share-based payment arrangements *(continued)*

### *(c) SAYE Scheme (continued)*

*Details of options outstanding and grant date fair value assumptions (continued)*

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **3 Year** | **5 Year** | **3 Year** | **5 Year** |
| **Fair value at grant date** | **€0.21** | **€0.21** | **€0.20** | **€0.23** |
| Share price at grant date | €0.75 | €0.75 | €1.03 | €1.03 |
| Valuation Methodology | Monte Carlo | Monte Carlo | Monte Carlo | Monte Carlo |
| Exercise price | €0.60 | €0.60 | €1.00 | €1.00 |
| Expected volatility | 27.5% | 29.6% | 26.8% | 29.6% |
| Expected life | 3 years | 5 years | 3 years | 5 years |
| Expected dividend yield | 0% | 1.4% | 0% | 1.4% |
| Risk free rate | -0.82% | -0.78% | -0.14% | -0.42% |

The weighted average exercise price of all options granted under the SAYE to date is €0.77.

Given the Group did not have an extensive trading history at grant date, expected share price and TSR volatility was based on the volatility of a comparator group of peer companies over the expected life of the equity instruments granted together with consideration of the Group's actual trading volatility to date.

The Group recognised an expense of €0.01 million consolidated statement of profit or loss in respect of options granted under the SAYE scheme.

## 16 Earnings per share

### *a) Basic Earnings per share*

The calculation of basic earnings per share has been based on the profit attributable to ordinary shareholders and the weighted average numbers of shares outstanding for the financial year. There were 871,333,550 ordinary shares in issue at 31 December 2019 (*2018: 871,333,550*).

| | **2019** | **2018** |
|---|---|---|
| Profit/(loss) for the financial year attributable to ordinary shareholders (€'000) | **22,840** | (3,930) |
| Weighted average number of shares for the financial year | **871,333,550** | 745,664,898 |
| **Basic earnings/(loss) per share (cents)** | **2.62** | (0.53) |

**16 Earnings per share** *(continued)*

*a) Basic Earnings per share (continued)*

| **Reconciliation of weighted average number of shares (basic)** | **2019 No. of shares** | **2018 No. of shares** |
|---|---|---|
| Issued ordinary shares at beginning of financial year | **871,333,550** | 667,049,000 |
| Effect of Founder Shares Converted | **-** | 7,545,229 |
| Effect of shares issued for cash | **-** | 71,070,669 |
| | **871,333,550** | 745,664,898 |

*b) Diluted Earnings per share*

| | **2019** | **2018** |
|---|---|---|
| Profit/(loss) for the financial year attributable to ordinary shareholders (€'000) | **22,840** | (3,930) |
| Weighted average number of shares for the financial year | **871,333,550** | 745,664,898 |
| **Diluted earnings/(loss) per share (cents)** | **2.62** | (0.53) |

| **Reconciliation of weighted average number of shares (diluted)** | **2019* No. of shares** | **2018 No. of shares** |
|---|---|---|
| Weighted average number of ordinary shares (basic) | **871,333,550** | 745,664,898 |
| Effect of share options on issue** | **-** | - |
| | **871,333,550** | 745,664,898 |

*The number of potentially issuable shares in the Group held under option or Founder Share arrangements at 31 December 2019 is 185,692,638 (*2018: 183,850,221*).

** Under IAS 33, Founders Shares and LTIP arrangements have an assumed test period ending on 31 December 2019. Based on this assumed test period no ordinary shares would be issued through the conversion of Founder Shares and LTIP as the performance conditions were not met.

At 31 December 2019 1,116,340 options (*2018: 2,843,383)* were excluded from the diluted weighted average number of ordinary shares because their effect would have been anti-dilutive. As a result, there was no difference between basic and diluted earnings per share.

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### 17 Income tax

| | 2019 | | | 2018 |
|---|---|---|---|---|
| | **Before Exceptional items €'000** | **Exceptional items €'000** | **Total €'000** | **Total €'000** |
| Current tax charge for the financial year | **3,864** | **(93)** | **3,771** | 18 |
| Deferred tax charge/(credit) for the financial year | **80** | **-** | **80** | (57) |
| **Total income tax charge/(credit)** | **3,944** | **(93)** | **3,851** | (39) |

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

| | **2019 €'000** | **2018 €'000** |
|---|---|---|
| **Profit/(loss) before tax for the financial year** | **26,691** | (3,969) |
| Tax charge/(credit) at standard Irish income tax rate of 12.5% | **3,336** | (496) |
| *Tax effect of:* | | |
| Income taxed at the higher rate of corporation tax | **222** | 324 |
| Non-deductible expenses – other | **230** | 109 |
| Other adjustments | **63** | 24 |
| **Total income tax charge/(credit)** | **3,851** | (39) |

**Movement in deferred tax balances**

| | **Balance at 1 January 2019 €'000** | **Recognised in profit or loss €'000** | **Balance at 31 December 2019 €'000** |
|---|---|---|---|
| Tax losses carried forward | 208 | (80) | 128 |
| | **208** | **(80)** | **128** |

The deferred tax asset accrues in Ireland and therefore has no expiry date. Management has considered it probable that future profits will be available against which the above losses can be recovered and, therefore, the related deferred tax asset can be realised.

## Notes to the consolidated financial statements
*For the financial year ended 31 December 2019*

### 18 Property, plant and equipment

| | Land & buildings €'000 | Fixtures & fittings €'000 | Plant & machinery €'000 | Computer equipment €'000 | Total €'000 |
|---|---|---|---|---|---|
| ***Cost*** | | | | | |
| At 1 January 2019 | 7,713 | 748 | 3,341 | 407 | 12,209 |
| Recognition of right-of-use asset on initial application of IFRS 16 | 876 | - | 351 | - | 1,227 |
| Adjusted at 1 January 2019 | 8,589 | 748 | 3,692 | 407 | 13,436 |
| Additions | 5,281 | 21 | 2,616 | 146 | 8,064 |
| Disposals | (704) | (7) | - | - | (711) |
| **At 31 December 2019** | **13,166** | **762** | **6,308** | **553** | **20,789** |
| ***Accumulated depreciation*** | | | | | |
| At 1 January 2019 | (36) | (89) | (500) | (87) | (712) |
| Charge for the financial year | (743) | (141) | (896) | (157) | (1,937) |
| Disposals | - | 2 | - | - | 2 |
| **At 31 December 2019** | **(779)** | **(228)** | **(1,396)** | **(244)** | **(2,647)** |
| ***Net book value*** | | | | | |
| **At 31 December 2019** | **12,387** | **534** | **4,912** | **309** | **18,142** |

| | Land & buildings €'000 | Fixtures & fittings €'000 | Plant & machinery €'000 | Computer equipment €'000 | Total €'000 |
|---|---|---|---|---|---|
| ***Cost*** | | | | | |
| At 1 January 2018 | - | 331 | 1,161 | 57 | 1,549 |
| Acquisitions through business combinations | - | - | 62 | - | 62 |
| Additions | 7,713 | 417 | 2,136 | 356 | 10,622 |
| Disposals | - | - | (18) | (6) | (24) |
| **At 31 December 2018** | **7,713** | **748** | **3,341** | **407** | **12,209** |
| ***Accumulated depreciation*** | | | | | |
| At 1 January 2018 | - | (15) | (50) | (8) | (73) |
| Charge for the financial year | (36) | (74) | (452) | (83) | (645) |
| Disposals | - | - | 2 | 4 | 6 |
| **At 31 December 2018** | **(36)** | **(89)** | **(500)** | **(87)** | **(712)** |
| ***Net book value*** | | | | | |
| **At 31 December 2018** | **7,677** | **659** | **2,841** | **320** | **11,497** |

The depreciation charge for the year includes €0.8 million (*2018: €0.5 million)* which was capitalised in inventory at 31 December 2019.

**19 Intangible assets**

| | Licence €'000 | Computer Software €'000 | Total €'000 |
|---|---|---|---|
| ***Cost*** | | | |
| At 1 January 2019 | 149 | 709 | 858 |
| Additions | - | 516 | 516 |
| **At 31 December 2019** | **149** | **1,225** | **1,374** |
| ***Accumulated amortisation*** | | | |
| At 1 January 2019 | - | (131) | (131) |
| Charge for the year | (100) | (199) | (299) |
| **At 31 December 2019** | **(100)** | **(330)** | **(430)** |
| ***Net book value*** | | | |
| **At 31 December 2019** | **49** | **895** | **944** |

| | Licence €'000 | Computer Software €'000 | Total €'000 |
|---|---|---|---|
| ***Cost*** | | | |
| At 1 January 2018 | - | 145 | 145 |
| Acquisitions through business combinations | 149 | - | 149 |
| Additions | - | 564 | 564 |
| **At 31 December 2018** | **149** | **709** | **858** |
| ***Accumulated amortisation*** | | | |
| At 1 January 2018 | - | (70) | (70) |
| Charge for the year | - | (61) | (61) |
| **At 31 December 2018** | **-** | **(131)** | **(131)** |
| ***Net book value*** | | | |
| **At 31 December 2018** | **149** | **578** | **727** |

**20 Inventory**

| | **2019** | 2018 |
|---|---|---|
| | **€'000** | €'000 |
| Land held for development (i) | **647,513** | 597,028 |
| Development expenditure (ii) | **172,683** | 100,964 |
| Development rights (iii) | **20,291** | 20,870 |
| | **840,487** | 718,862 |

€227.3 million (*2018: €66.6 million*) of inventory was recognised in 'cost of sales' during the year ended 31 December 2019.

*(i) Significant development land acquisitions completed during the year*

*Maryborough Ridge, Cork*
As at 31 December 2018, the Group had entered into an unconditional contract to acquire 24.34 acres of zoned land for residential development at Maryborough Ridge a development site at Douglas, Co. Cork for total consideration of €12.5 million (excluding fees and stamp duty). A deposit of €1.3 million was paid in 2018 and was recognised within trade and other receivables as at 31 December 2018. The transaction subsequently completed in February 2019 resulting in the transfer of the full amount to inventory.

*Castleknock*
As at 31 December 2018, the Group had contracted to acquire a development site at Carpenterstown Road, Castleknock, Co. Dublin for total consideration of €9.3 million (excluding fees and stamp duty). A deposit of €0.9 million was paid in 2018 and was recognised within trade and other receivables at 31 December 2018. The transaction subsequently completed in January 2019 resulting in the transfer of the full amount to inventory.

*Project Arrow*
In March 2019 the Group acquired two development sites located in Leixlip and Newbridge, Co. Kildare for total consideration of approximately €50 million (excluding fees and stamp duty).

*Kilruddery, Co. Wicklow / Howth, Co. Dublin*
In June 2019 the Group acquired two development sites for an aggregate consideration of approximately €24m (excluding fees and stamp duty) at Kilruddery, Bray Co. Wicklow and at Howth Co. Dublin.

*Rathmullan Road, Drogheda, Co. Meath*
In July 2019 the Group acquired a 30 acre site at Rathmullan Road, Drogheda, Co. Meath for total consideration of €7.4m (excluding fees and stamp duty).

*(ii) Employment cost capitalised*

€12.9 million of employment costs incurred during the year have been capitalised in inventory *(2018: €7.3 million.*

**20 Inventory** *(continued)*

*(iii) Development rights*

*Tallaght, Dublin 24 / Gateway Retail Park, Co. Galway*

In March 2018, the Group entered into an Acquisition and Profit Share Agreement ("APSA") with Targeted Investment Opportunities ICAV ("TIO"), a wholly owned subsidiary of OCM Luxembourg EPF III S.a.r.l. Under the terms of the APSA, the Group acquired certain development rights in respect of sites at The Square Shopping Centre, Tallaght, Dublin 24 and Gateway Retail Park, Knocknacarra, Co. Galway for aggregate consideration of approximately €13.9 million (including stamp duty and acquisition costs). The development rights will (subject to planning) entitle the Group to develop at least 750 residential units under two joint business plans to be undertaken with Sigma Retail Partners (on behalf of TIO) which will also entitle TIO to control and benefit from any retail development at both sites. The Directors have determined that joint control over both sites exists and the arrangements have been accounted for as joint operations in accordance with IFRS 11 *Joint Arrangements.* For further information regarding the APSA, see Note 29 of these financial statements.

*Maryborough Ridge, Cork*

In December 2018, the Group entered into a licence agreement to develop 18.65 acres at Maryborough Ridge, Cork. At 31 December 2019 an amount of €6.4 million *(2018: €6.9 million)* is included within inventory in line with the conditions of the licence agreement as outlined in Note 30.

**21 Trade and other receivables**

| | **2019 €'000** | **2018 €'000** |
|---|---|---|
| Trade receivables | **3,412** | 249 |
| Other receivables | **2,482** | 70 |
| Prepayments | **393** | 1,065 |
| Unamortised transaction costs on debt facility | **-** | 788 |
| VAT recoverable | **-** | 6,461 |
| Construction bonds | **4,401** | 3,377 |
| Deposits for sites | **1,553** | 2,497 |
| | **12,241** | 14,507 |

The carrying value of all financial assets and trade and other receivables is approximate to their fair value and are repayable on demand.

## 22 Trade and other payables

| | 2019 €'000 | 2018 €'000 |
|---|---|---|
| Trade payables | **7,455** | 7,821 |
| Payroll and other taxes | **2,755** | 2,787 |
| Inventory accruals | **22,017** | 21,289 |
| Other accruals | **5,709** | 3,096 |
| VAT payable | **18,282** | - |
| Interest accrual | **-** | 196 |
| | **56,218** | 35,189 |
| Non-current | **-** | 1,803 |
| Current | **56,218** | 33,386 |
| | **56,218** | 35,189 |

The carrying value of all financial liabilities and trade and other payables is approximate to their fair value and are repayable on demand.

## 23 Loans and Borrowings

The Group is party to a Revolving Credit Facility for a total of €250 million (of which €125 million is committed) with a syndicate of domestic and international banks for a term of 3 years at an interest rate of one-month EURIBOR (subject to a floor of 0 per cent.) plus a margin of 2.5%. At 31 December 2019, €40.0 million *(31 December 2018: €nil)* had been drawn on the facility. Pursuant to the RCF agreement, there is a fixed and floating charge in place over certain assets of the Group as continuing security for the discharge of any amounts drawn down.

| | 31 December 2019 €'000 | 31 December 2018 €'000 |
|---|---|---|
| Revolving Credit Facility | **40,000** | - |
| Unamortised borrowing costs* | **(446)** | - |
| Interest accrued* | **15** | - |
| **Total loans and borrowings** | **39,569** | - |

The Group's RCF was entered into with AIB, Barclays and HSBC and is subject to primary financial covenants calculated on a quarterly basis:

- A maximum net debt to net assets ratio;
- The Group is required to maintain a minimum cash balance of €25.0 million throughout the term of the facility; and
- A minimum EBITDA to net interest coverage ratio.

*The Group had €Nil loans and borrowings at 31 December 2018 and accordingly the unamortised transaction costs asset was classified within trade and other receivables at that date. Interest accrued was classified within trade and other payables at 31 December 2018.

**23 Loans and Borrowings** *(continued)*

**(b) Reconciliation of movements of liabilities to cash flows arising from financing activities**

| | | Cash flows | | | | Non cash changes | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Opening 2019** | **Credit facility drawdown** | **Credit facility repayment** | **Payment of lease liability** | **Interest Paid** | **Amortisation of transaction costs** | **Interest on RCF** | **Interest on lease liability** | **IFRS 16 – transition adjustment** | **New leases** | **Closing 2019** |
| | **€'000** | **€'000** | **€'000** | **€'000** | **€'000** | **€'000** | **€'000** | **€'000** | **€'000** | **€'000** | **€'000** |
| **Liabilities** | | | | | | | | | | | |
| **Loans and borrowings** | **-** | 120,000 | (80,000) | - | - | - | - | - | - | - | **40,000** |
| **Unamortised transaction costs** | **(788)** | - | - | - | - | 342 | - | - | - | - | **(446)** |
| **Lease liability** | **38** | - | - | (792) | - | - | - | 32 | 1,227 | 90 | **595** |
| **Interest accrual** | **196** | - | - | - | (2,472) | - | 2,291 | - | - | - | **15** |
| | **(554)** | **120,000** | **(80,000)** | **(792)** | **(2,472)** | **342** | **2,291** | **32** | **1,227** | **90** | **40,164** |

## 23 Loans and Borrowings *(continued)*

### (c) Net (debt) / funds reconciliation

| | 31 December 2019 €'000 | 31 December 2018 €'000 |
|---|---|---|
| Cash and cash equivalents | **93,224** | 130,701 |
| Loans and borrowings | **(39,569)** | - |
| Lease liabilities | **(595)** | (38) |
| **Total net funds** | **53,060** | 130,663 |

### (d) Lease Liabilities

**Lease liabilities are payable as follows:**

| | 31 December 2019 | | |
|---|---|---|---|
| | Present value of minimum lease payments €'000 | Interest €'000 | Future value of minimum lease payments €'000 |
| Less than one year | **423** | **49** | **472** |
| Between one and two years | **102** | **2** | **104** |
| More than two years | **18** | **1** | **19** |
| | **543** | **52** | **595** |

## 24 Restricted cash

The restricted cash balance relates to €1.5 million held in escrow until the completion of certain infrastructural works relating to the Group's residential development at Balbriggan, Co. Dublin. The estimated fair value of restricted cash as at 31 December 2019 is its carrying value.

# Glenveagh Properties PLC

## Notes to the consolidated financial statements
*For the financial year ended 31 December 2019*

### 25 Subsidiaries

The subsidiary companies (all of which are resident in Ireland) and the percentage shareholdings held by Glenveagh Properties PLC, either directly or indirectly, at 31 December 2019 are as follows:

| Company | Principal activity | % | Reg.office |
|---|---|---|---|
| Glenveagh Properties (Holdings) Limited | Holding company | 100% | 1 |
| Glenveagh Treasury DAC | Financing activities | 100% | 2 |
| Glenveagh Contracting Limited | Property development | 100% | 2 |
| Glenveagh Homes Limited | Property development | 100% | 2 |
| Greystones Devco Limited | Property development | 100% | 2 |
| Marina Quarter Limited | Property development | 100% | 2 |
| GLV Bay Lane Limited | Property development | 100% | 2 |
| Glenveagh Living Limited | Property development | 100% | 1 |
| GL Partnership Opportunities DAC | Property development | 100% | 1 |
| GL Partnership Opportunities II DAC | Property development | 100% | 1 |
| Hollystown Golf & Leisure Limited | Golf Club operations | 100% | 2 |
| GLL PRS HoldCo Limited | Dormant company | 100% | 1 |
| GLL Partnership HoldCo Limited | Dormant company | 100% | 1 |
| GLL HoldCo Limited | Dormant company | 100% | 1 |
| Into the Future (South) Limited | Dormant company | 100% | 2 |
| Feathermist Limited | Dormant company | 100% | 2 |
| Braddington Developments Limited | Dormant company | 100% | 2 |
| Bulwark Limited | Dormant company | 100% | 1 |

1 15 Merrion Square North, Dublin 2, D02 YN15
2 Block B, Maynooth Business Campus, Maynooth, Co. Kildare, W23W5X7

## 26 Share capital and share premium

### (a) Authorised share capital

| | 2019 Number of shares | 2019 €'000 | 2018 Number of shares | 2018 €'000 |
|---|---|---|---|---|
| Ordinary Shares of €0.001 each | 1,000,000,000 | 1,000 | 1,000,000,000 | 1,000 |
| Founder Shares of €0.001 each | 200,000,000 | 200 | 200,000,000 | 200 |
| Deferred Shares of €0.001 each | 200,000,000 | 200 | 200,000,000 | 200 |
| | **1,400,000,000** | **1,400** | **1,400,000,000** | **1,400** |

### (b) Issued share capital and share premium

| **At 31 December 2019** | Number of shares | Share capital €'000 | Share premium €'000 |
|---|---|---|---|
| Ordinary Shares of €0.001 each | 871,333,550 | 871 | 879,281 |
| Founder Shares of €0.001 each | 181,006,838 | 181 | - |
| | **1,052,340,388** | **1,052** | **879,281** |

| **At 31 December 2018** | Number of shares | Share Capital €'000 | Share premium €'000 |
|---|---|---|---|
| Ordinary Shares of €0.001 each | 871,333,550 | 871 | 879,281 |
| Founder Shares of €0.001 each | 181,006,838 | 181 | - |
| | **1,052,340,388** | **1,052** | **879,281** |

### (c) Reconciliation of shares in issue

| **In respect of current year** | Ordinary shares '000 | Founder shares '000 | Share capital €'000 | Share premium €'000 |
|---|---|---|---|---|
| In issue at 1 January 2019 | 871,333 | 181,007 | 1,052 | 879,281 |
| Issued for cash | - | - | - | - |
| Conversion of Founder Shares | - | - | - | - |
| | **871,333** | **181,007** | **1,052** | **879,281** |

**26 Share capital and share premium** *(continued)*

**(c) Reconciliation of shares in issue** *(continued)*

| **In respect of prior year** | **Ordinary shares ‘000** | **Founder shares ‘000** | **Share capital €‘000** | **Share premium €’000** |
|---|---|---|---|---|
| In issue at 1 January 2018 | 667,049 | 200,000 | 867 | 666,381 |
| Issued for cash | 185,291 | - | 185 | 212,900 |
| Conversion of Founder Shares | 18,993 | (18,993) | - | - |
| | **871,333** | **181,007** | **1,052** | **879,281** |

**(d) Rights of shares in issue**

*Ordinary Shares*

The holders of Ordinary Shares are entitled to one vote per Ordinary Share at general meetings of the Company and are entitled to receive dividends as declared by the Company.

*Founder Shares*

Founder Shares do not confer on any holder thereof the right to receive notice of, attend, speak or vote at general meetings of the Company except in relation to resolutions regarding the voluntary winding up of the Company or the granting of further Founder Shares. Founder Shares do not entitle their holder to receive dividends.

Founder Shares entitle the Founders of the Company namely, Justin Bickle (through Durrow Ventures), Stephen Garvey and John Mulcahy to share 20% of the Company's TSR (calculated by reference to the change of control price plus dividends and distributions made) between admission and the change of control (less the value of any ordinary shares (at their original conversion or redemption price)) which have previously been converted or redeemed in the five years following the IPO of the Company.

This entitlement is subject to the achievement of a performance condition related to the Company's share price, specifically that a compound rate of return of 12.5% (adjusted for any dividends or other distributions and returns of capital made but excluding the value of any Founder Shares which have been redeemed) is achieved across five testing periods.

Following completion of the second test period (which ran from 1 March 2019 until 30 June 2019), it was confirmed that, the performance hurdle condition was not satisfied and therefore the Founder Shares Value for the test period was zero, and accordingly no Founder Shares were converted to ordinary shares in respect of this test period.

*Capital re-organisation*

At an Extraordinary General Meeting of the Company held on 17 December 2019, the shareholders approved (subject to the approval of the High Court) an increase of the distributable reserves of the Company by the transfer of an amount of up to €700 million from the Company’s share premium account to distributable reserves (namely retained earnings). This transfer will be reflected in the Group and Company financial statements once approved by the High Court.

**27 Financial instruments and financial risk management**

The consolidated financial assets and financial liabilities are set out below. While all financial assets and liabilities are measured at amortised cost, the carrying amounts of the consolidated financial assets and financial liabilities approximate to fair value. Trade and other receivables and trade and other payables approximate to their fair value as the transactions which give rise to these balances arise in the normal course of trade and, where relevant, with industry standard payment terms and have a short period to maturity (less than one year).

**Financial instruments: financial assets**

| The consolidated financial assets can be summarised as follows: | **2019 €'000** | **2018 €'000** |
|---|---|---|
| Trade receivables | **3,412** | 249 |
| Other receivables | **2,482** | 70 |
| Construction bonds | **4,401** | 3,377 |
| Deposits for sites | **1,553** | 2,497 |
| Cash and cash equivalents | **93,224** | 130,701 |
| Restricted cash (non-current) | **1,500** | 1,500 |
| **Total financial assets** | **106,572** | 138,394 |

Cash and cash equivalents are short-term deposits held at variable rates.

## 27 Financial instruments and financial risk management *(continued)*

**Financial instruments: financial liabilities**

| | 2019 €'000 | 2018 €'000 |
|---|---|---|
| Trade payables | **7,455** | 7,821 |
| Lease liabilities (2018: finance lease obligations) | **595** | 38 |
| Inventory accruals | **22,017** | 21,289 |
| Other accruals | **5,709** | 3,096 |
| **Total financial liabilities** | **35,776** | 32,244 |

Trade payables and other current liabilities are non-interest bearing.

**Financial risk management objectives and policies**

As all of the operations carried out by the Group are in Euro there is no direct currency risk, and therefore the Group's main financial risks are primarily:

- liquidity risk – the risk that suitable funding for the Group's activities may not be available;
- credit risk – the risk that a counter-party will default on their contractual obligations resulting in a financial loss to the Group; and
- market risk – the risk that changes in market prices, such as interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

This note presents information and quantitative disclosures about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

**Liquidity risk**

Liquidity risk is the risk that the Group may not be able to generate sufficient cash reserves to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring, unacceptable losses or risking damage to the Group's reputation. The Group's liquidity forecasts consider all planned development expenditure.

Management monitors the adequacy of the Group's liquidity reserves against rolling cash flow forecasts. In addition, the Group's liquidity risk management policy involves monitoring short-term and long-term cash flow forecasts. Set out below are details of the Group's contractual cash flows arising from its financial liabilities and funds available to meet these liabilities.

## 27 Financial instruments and financial risk management *(continued)*

**Liquidity risk** *(continued)*

| | 31 December 2019 | | | | |
|---|---|---|---|---|---|
| | Carrying amount €'000 | Contractual cash flows €'000 | Less than 1 year €'000 | 1 year to 2 years €'000 | More than 2 years €'000 |
| Lease liabilities | 595 | 595 | 276 | 319 | - |
| Trade payables | 7,455 | 7,455 | 7,455 | - | - |
| Inventory accruals | 22,017 | 22,017 | 22,017 | - | - |
| Other accruals | 5,709 | 5,709 | 5,709 | - | - |
| Loans and borrowings* | 39,569 | 41,244 | 40,862 | 382 | - |
| | 75,345 | 77,020 | 76,319 | 701 | - |

| | 31 December 2018 | | | | |
|---|---|---|---|---|---|
| | Carrying amount €'000 | Contractual cash flows €'000 | Less than 1 year €'000 | 1 year to 2 years €'000 | More than 2 years €'000 |
| Finance lease obligations | 38 | 42 | 36 | 6 | - |
| Trade payables | 7,821 | 7,821 | 7,821 | - | - |
| Inventory accruals | 21,289 | 23,713 | 23,713 | - | - |
| Other accruals | 3,096 | 672 | 672 | - | - |
| Loans and borrowings* | - | 2,920 | 1,252 | 1,252 | 416 |
| | 32,244 | 35,168 | 33,494 | 1,258 | 416 |

*Contracted cash flows on loans and borrowings in the prior year related to commitment fee payable on the RCF.

## 27 Financial instruments and financial risk management *(continued)*

**Liquidity risk** *(continued)*

**Funds available**

| | 2019 €'000 | 2018 €'000 |
|---|---|---|
| Revolving credit facility* (undrawn committed) | **85,000** | 125,000 |
| Cash and cash equivalents | **93,224** | 130,701 |
| | **178,224** | **255,701** |

*The Group's RCF contains a mechanism through which the committed amount can be increased up to €250.0 million. Under the terms of the Group's RCF, the Group is required to maintain a minimum cash balance of €25.0 million in cash in cash equivalents throughout the term of the facility.

The Group's RCF is subject to primary financial covenants calculated on a quarterly basis:
- A maximum net debt to net assets ratio;
- A minimum cash reserves limit; and
- A minimum EBITDA to net interest coverage ratio.

**Credit risk**

The Group's exposure to credit risk encompasses the financial assets being: trade and receivables and cash and cash equivalents. Credit risk is managed by regularly monitoring the Group's credit exposure to each counter-party to ensure credit quality of customers and financial institutions in line with internal limits approved by the Board.

There has been no impairment of trade receivables in the year presented. The impairment loss allowance allocated against trade receivables, cash and cash equivalents and restricted cash is not material. The credit risk on cash and cash equivalents is limited because counter-parties are leading international banks with minimum long-term BBB- credit-ratings assigned by international credit agencies. The maximum amount of credit exposure is the financial assets in this note.

**Market risk**

The Group's exposure to market risk relates to changes to interest rates and stems predominately from its debt obligations. In the prior year, the Group entered in to a RCF for a total of €250.0 million (of which €125.0 million is committed) with a syndicate of domestic and international banks for a term of 3 years at an interest rate of EURIBOR (subject to a floor of 0 per cent.) plus 2.5%. €40 million *(2018: €nil)* had been drawn on the facility at 31 December 2019. The Group has an exposure to cash flow interest rate risk where there are changes in the EURIBOR rates.

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. There is uncertainty as to the timing and the methods of transition for replacing existing benchmark interbank offered rates (IBORs) with alternative rates.

**27 Financial instruments and financial risk management** *(continued)*

**Market risk** *(continued)*

IBOR continues to be used as a reference rate in financial markets and is used in the valuation of instruments with maturities that exceed the expected end date for IBOR. Therefore, the Group believes the current market structure supports the valuation of our debt obligations as at 31 December 2019.

**Capital management**

The Group finances its operations by a combination of shareholders' funds and working capital. The Group's objective when managing capital is to maintain an appropriate capital structure in the business to allow management to focus on creating sustainable long-term value for its shareholders, with flexibility to take advantage of opportunities as they arise in the short and medium term. This allows the Group to take advantage of prevailing market conditions by investing in land and work-in-progress at the right point in the cycle.

**28 Leases**

**A. Leases as lessee (IFRS 16)**

The Group leases a property and motor vehicles. The leases typically run for a period of 1-3 years, with an option to renew the lease after that date. Lease payments are renegotiated every 1-3 years to reflect market rentals.

The Group leases certain motor vehicles with contract terms of one year. These leases are short term and leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information about leases for which the Group is a lessee is presented below.

**i. *Right-of-use assets***

Right-of-use assets related to leased properties (that do not meet the definition of investment property) and motor vehicles are presented as property, plant and equipment (see Note 18).

| | **Property €'000** | **Motor Vehicles €'000** | **Total €'000** |
|---|---|---|---|
| **2019** | | | |
| Balance at 1 January | **876** | **351** | **1,227** |
| Depreciation charge for the year | **(596)** | **(148)** | **(744)** |
| Additions to right-of-use assets | **-** | **90** | **90** |
| **Balance at 31 December** | **280** | **293** | **573** |

**28 Leases** *(continued)*

**A. Leases as lessee (IFRS 16)**

***ii. Amounts recognised in profit or loss***

| | **2019** **€'000** |
|---|---|
| **2019 – Leases under IFRS 16** | |
| Interest on lease liabilities | **32** |
| Expenses relating to short-term leases | **80** |
| **2018 – Operating leases under IAS 17** | |
| Lease expense | 771 |

***iii. Amounts recognised in statement of cash flows***

| | **2019** **€'000** |
|---|---|
| Total cash outflow on leases | **792** |

**B. Leases as lessor**

In certain instances, the Group acts as a lessor in relation to certain property assets. These arrangements are not material to the Group's consolidated financial statements.

### 29 Related party transactions

#### (i) Key Management Personnel remuneration

Key management personnel comprise the Non-Executive Directors and the Executive Committee. The aggregate compensation paid or payable to key management personnel in respect of the financial year was the following:

| | 2019<br>€'000 | 2018<br>€'000 |
|---|---|---|
| Short-term employee benefits | **2,912** | 2,357 |
| Post-employment benefits | **116** | 74 |
| LTIP and SAYE share-based payment expense | **66** | 50 |
| | **3,094** | 2,481 |

#### (ii) Other related party transaction

*Prior year transaction*

The Group entered into the APSA with TIO, a wholly owned subsidiary of OCM Luxembourg EPF III S.a.r.l. (OCM) (and an entity in which John Mulcahy and Justin Bickle are directors) on 12 March 2018.

Under the terms of the APSA, the Group acquired certain development rights in respect of sites at The Square Shopping Centre, Tallaght, Dublin 24 and Gateway Retail Park, Knocknacarra, Co. Galway for aggregate consideration of approximately €13.9 million (including stamp duty and transaction costs). The development rights will (subject to planning) entitle the Group to develop at least 750 residential units under two joint business plans to be undertaken with Sigma Retail Partners (on behalf of TIO) which will also entitle TIO to control and benefit from any retail development at both sites.

The Directors have determined that joint control over both sites exists and the arrangements have been accounted for as joint operations in accordance with IFRS 11 Joint Arrangements. This accounting treatment was re-assessed at the end of the reporting period and the Director's concluded that it remains appropriate.

The APSA also stipulates that TIO would be entitled to share, on a 50/50 basis, any residual profit remaining after the Group's purchase consideration plus interest and residential development cost plus 20% has been deducted from sales revenue in relation to the residential development opportunity at The Square Shopping Centre, Tallaght, Dublin 24, Gateway Retail Park, Knocknacarra, Co. Galway and a third site, Bray Retail Park, Bray, Co. Wicklow.

The agreement defines certain default events including TIO not possessing good and marketable title over the development sites and TIO not transferring good and marketable title over the development sites. On the occurrence of a default event, the Group shall be entitled to recover the aggregate purchase consideration in respect of the development rights. OCM has agreed to guarantee this obligation of TIO.

## 30 Commitments and contingent liabilities

*(a) Commitments arising from development land acquisitions*

In addition to the contingent liabilities outlined in Note 29 above, the Group had the following commitments at 31 December 2019 relating to development land acquisitions:

*Land acquisition subject to re-zoning*

In the prior year, the Group contracted to acquire 66 acres of currently unzoned land in the Greater Dublin Area subject to appropriate residential zoning being awarded in the next local authority development plan on at least 30 acres of the site. Once this minimum threshold is achieved, the Group has committed to acquiring the entire site at a fixed price per acre on land zoned for residential development with the remaining land to be acquired at market value.

*Hollystown Golf and Leisure Limited ("HGL")*

During 2018, the Group acquired 100 per cent of the share capital of HGL. Under the terms of an overage covenant signed in connection with the acquisition, the Group has committed to paying the vendor an amount equal to an agreed percentage of the uplift in market value of the property should any lands owned by HGL, that are not currently zoned for residential development be awarded a residential zoning. This commitment has been treated as contingent consideration and the fair value of the contingent consideration at the acquisition date was initially recognised at €nil. At the reporting date, the fair value of this contingent consideration was considered insignificant.

*Maryborough Ridge, Cork*

The Group entered into a licence agreement to develop a further 18.65 acres at the Maryborough Ridge site in 2018. At 31 December 2018 an amount of €6.9 million was recognised in inventory reflecting the initial licence fee paid and related stamp duty and acquisition costs. The remaining €6.1 million of the licence fee is payable in equal instalments in line with milestones outlined in the licence agreement which will bring the total consideration to approximately €13.0 million. During the year ended 31 December, the first milestones were achieved resulting in the payment of €2.1m of the residual licence fee.

Under the terms of the licence agreement, the Group has committed to paying the vendor further variable amounts dependent on the number of units developed and unit sale prices achieved in excess of those contemplated in the licence agreement. As these commitments are based on uncertain future events, the Group has treated them as contingent consideration. The Group will reassess these commitments at each reporting date.

## 31 Subsequent events

No events have occurred subsequent to the reporting date that require disclosure in these financial statements.

## 32 Loss of the Parent Company

The parent company of the Group is Glenveagh Properties PLC. In accordance with section 304 of the Companies Act 2014, the Company is availing of the exemption from presenting its individual statement of profit or loss and other comprehensive income to the Annual General Meeting and from filing it at the Companies Registration Office. The Company's loss after tax for the financial year was €1.1 million (for the period ended 31 December 2018: loss of €0.7 million).

## 33 Approved financial statements

The board of directors approved the financial statements on 27 February 2020.