Independent auditor's report to the members of Glenveagh Properties PLC

1 Opinion: our opinion is unmodified

We have audited the financial statements of Glenveagh Properties PLC ("the Group") for the period from incorporation on 9 August 2017 to 31 December 2017 which comprise the Group Income Statement and Statement of Comprehensive Income, the Group and Parent Balance Sheets, the Group and Parent Statements of Changes in Equity, the Group Cash Flow Statement and the related notes, including the accounting policies in note 8. The financial reporting framework that has been applied in their preparation is Irish Law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2014 and FRS 101 Reduced Disclosure Framework.

In our opinion:

- the Group financial statements give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2017 and of its loss for the period then ended;
- the Company statement of financial position gives a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2017;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the EU;
- the Company financial statements have been properly prepared in accordance with FRS 101 Reduced Disclosure Framework issued by the UK's Financial Reporting Council as applied in accordance with the provisions of the Companies Act 2014; and
- the Group financial statements and Company financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

- We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities section of our report. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.
- We were appointed as auditor by the directors on 21 August 2017. The period of total uninterrupted engagement is the period ended 31 December 2017. We have fulfilled our ethical responsibilities under, and we remained independent of the Group in accordance with, ethical requirements applicable in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA) as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

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

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

In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

Independent auditor's report to the members of Glenveagh Properties PLC (continued)

Carrying value of Inventory €228 million
Refer to page 106 (accounting policy) and page 116 (financial disclosures)

The key audit matter

Inventory, relating to work-in-progress on sites under development and land yet to be developed, represent a significant asset balance of the Group.

Work-in-progress is held at the lower of cost and net realisable value. Net realisable value is determined based on estimates of total build costs (including future costs to complete) and future selling prices. The forecasting of such amounts is inherently judgmental.

For each development project, site wide residential development costs are allocated between units built in the current period and units to be built in future years, which requires further judgement.

How the matter was addressed in our audit

Our audit procedures included, amongst others:

- Obtaining and documenting our understanding of the process to determine the net realisable value of the Group's work-in-progress and testing the design and implementation of the relevant controls therein.
- For all new land acquisitions, inspecting purchase contracts to agree the costs of acquisition including related purchase costs.
- Agreeing amounts paid to corroborative documentary evidence so as to confirm the correct allocation of costs to each development.
- Testing a sample of forecast costs to fixed price contracts and comparing forecast residential unit sales prices to comparable market data.
- Evaluating the sensitivity of the development margin to a change in sales prices and costs and challenging key assumptions in the models, where we considered it appropriate to do so.
- Considering the adequacy of the Group's disclosures regarding the carrying value of inventory.

Overall, we found the key assumptions used in the calculations of net realisable value and the related disclosures in respect of work-in-progress to be appropriate.

Independent auditor's report to the members of Glenveagh Properties PLC (continued)

Valuation of share-based payment expense relating to Founder Shares €47.5 million
Refer to page 105 (accounting policy) and pages 111 to 112 (financial statement discloures)

The key audit matter
The Company incurred a non-cash charge of €47.5 million on IPO representing the fair value of Founder Shares granted on that date.

The accounting and measurement of the Founder Shares award is complex; it's fair value depends on a number of significant assumptions and the recognition of the award in the financial statements is based on the terms and conditions of the award.

How the matter was addressed in our audit
Our audit procedures included, amongst others:

- Obtaining and documenting our understanding of the process to account for and value the Founder Shares and testing the associated design and implementation of the relevant controls.
- Reading the relevant terms and conditions of the Founder Shares award as per the Company's Constitution to obtain an understanding as to how the terms were reflected in the measurement of the estimated fair value of the award.
- Reading the report of the Company's valuation expert and involving our in-house valuation expert to assess and challenge the significant valuation assumptions therein.
- Considering the adequacy of the Company's disclosures in the financial statements and in particular the disclosure of the key judgements.

We found the key assumptions used in the calculation of the fair value of the Founder Shares award to be appropriate and the disclosures in respect of the award to be adequate.

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

The materiality for the Group financial statements as a whole was set at €3.3million. This has been calculated with reference to a benchmark of total assets which we consider to be one of the principal considerations for members of the Group in assessing the financial performance of the Group as the principal focus of the Group in the financial period has been the deployment of capital raised. Materiality represents approximately 0.5% of this benchmark. We report to the Audit and Risk Committee all corrected and uncorrected misstatements we identified through our audit with a value in excess of €0.2million.

Materiality for the parent company financial statements as a whole was set at €3.3 million. This was determined with reference to a benchmark of total assets but restricted to the absolute amount of group materiality. We reported to the Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding €0.2 million.

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

4 We have nothing to report on going concern

We are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in note 7 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- if the related statement under the Listing Rules set out on page 85 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5 We have nothing to report on the other information in the annual report

The directors are responsible for the other information presented in the annual report together with the financial statements. The other information comprises the information included in the directors' report, CEO's Review, CFO's Review, Risk Management Report, Corporate Governance Statement, Audit and Risk Committee Report and Report of the Remuneration and Nomination Committee. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information;

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

Disclosures of principal risks and longer-term viability
Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated;
- the directors' confirmation within the Risk Management Report on page 36 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity; and

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– the directors' explanation in the Risk Management Report of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Other corporate governance disclosures
We are required to address the following items and report to you in the following circumstances:

– Fair, balanced and understandable: if we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
– Report of the Audit Committee: if the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee;
– Statement of compliance with UK Corporate Governance Code: if the directors' statement does not properly disclose a departure from provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

In addition as required by the Companies Act 2014, we report, in relation to information given in the Corporate Governance Statement on pages 48 to 55, that:

– based on the work undertaken for our audit, in our opinion, the description of the main features of internal control and risk management systems in relation to the financial reporting process and information relating to voting rights and other matters required by the European Communities (Takeover Bids (Directive 2004/EC) Regulations 2016 and specified for our consideration, is consistent with the financial statements and has been prepared in accordance with the Act; and
– based on our knowledge and understanding of the company and its environment obtained in the course of our audit, we have not identified any material misstatements in that information.

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

6 Our opinions on other matters prescribed by the Companies Act 2014 are unmodified

We have obtained all the information and explanations which we consider necessary for the purpose of our audit.

In our opinion, the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the Company's statement of financial position is in agreement with the accounting records.

7 We have nothing to report on other matters on which we are required to report by exception

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act are not made.

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

– the directors' statement, set out on page 85, in relation to going concern and longer-term viability;
– the part of the Corporate Governance Statement on pages 48 to 55 relating to the Company's compliance with the provisions of the UK Corporate Governance Code and the Irish Corporate Governance Annex specified for our review; and
– certain elements of disclosures in the report to shareholders by the Board of Directors' remuneration committee.

8 Respective responsibilities

Directors' responsibilities
As explained more fully in their statement set out on page 90, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than for one resulting from error, as they may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation not just those directly affecting the financial statements.

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

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

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

Ruaidhri Gibbons
for and on behalf of

KPMG
Chartered Accountants,
Statutory Audit Firm
1 Stokes Place
St. Stephen's Green
Dublin 2, Ireland

13 March 2018