

**IRISH RESIDENTIAL PROPERTIES REIT PLC**  
**RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018**

Irish Residential Properties REIT plc (“**I-RES**” or the “**Company**”), an Irish real estate investment company focused on residential rental accommodation, today issues its Group<sup>1</sup> annual results for the year from 1 January 2018 to 31 December 2018.

**Key Financial Highlights**

Strong financial performance:

- 13.5% increase in Net Rental Income to €41.2 million (31 December 2017: € 36.3 million) and an improvement in net rental income margin to 81.3% (2017: 81.2%).
- Increase in EPRA Earnings for the period ended 31 December 2018 of 11.7% to €27.8 million (31 December 2017: €24.9 million) and basic EPRA EPS up 8.3% to 6.5 cents.
- EPRA NAV per share up 19.8% to 142.0 cents (31 December 2017: 118.5 cents), post payment of a 2.7 cents per share dividend (€11.3 million) on 23 March 2018 and 2.6 cents per share (€11.2 million) on 7 September 2018.
- A 12.6% increase in the fair value of investment properties (excluding the 2018 acquisition of Hampton Woods and Hansfield Wood (phase I and phase II) developments) from € 739.2 million to € 832.2 million.
- As a result, profit for the period was €119.8 million (31 December 2017: €65.1 million) and basic EPS has increased to 28.0 cents (31 December 2017: 15.6 cents).
- Intention to declare an additional dividend of 3.0 cents per share for the year ended 31 December 2018 following the filing of the relevant financial statements for the Company with the Companies Registration Office in Dublin, Ireland on or about 22 February 2019, which would bring the total dividend for the year to 5.6 cents per share.
- Group gearing of 33.6%, well within LTV policy of 45.0%.

**Commenting on the results, Margaret Sweeney, Chief Executive Officer, said:**

*“I-RES has delivered another strong set of results for the year ended 31 December 2018 achieving excellent operating metrics, underpinned by active property and asset management, as well as a further portfolio valuation uplift. By leveraging the expertise and technology platform of CAPREIT LP and I-RES Fund Management, including a highly talented and dedicated operations and tenant services team, we are delivering strong returns for our shareholders. We continue to invest in the supply of apartments and houses for rent through a combination of acquisitions and build to let. We invested c.€77.5 million during 2018 in our assets portfolio which included the completion of transactions for 393 units. Our fully let portfolio grew by 9.3% from 2450 units in 2017 to 2679 units at 31 December 2018. This level of investment and subsequent growth in the asset portfolio has seen an increase in overall profitability from €65.1 million in 2017 to €119.8 million in 2018. Rental demand remains strong and, whilst it is beginning to increase slowly, the supply of residential accommodation remains constrained. The prospects for growth in the Irish market remain good resulting in a combination of attractive yields and rental growth. Looking forward, the structural drivers of demand for private rental residential accommodation (population growth, strong inward investment and economic growth and urbanisation) are likely to underpin demand for some time to come. Our modern well located existing asset portfolio together with our pipeline of development opportunities, c.800 units between forward purchase transactions and own sites seeking planning approval, offer significant future growth potential.”*

<sup>1</sup> This report (“**Report**”) incorporates the financial information of the Company and its wholly-owned subsidiary, IRES Residential Properties Limited, together referred to as the “**Group**”, for the period from 1 January 2018 to 31 December 2018.

## Financial and Operating Highlights

For the year ended	31 December 2018	31 December 2017
<b>Operating Performance</b>		
Revenue from Investment Properties (€ millions)	50.6	44.7
Net Rental Income (€ millions)	41.2	36.3
Profit (€ millions)	119.8	65.1
Basic EPS (cents)	28.0	15.6
EPRA Earnings (€ millions)	27.8	24.9
EPRA Earnings per share (cents) <sup>(2)</sup>	6.5	6.0
<b>Portfolio Performance</b>		
Total Number of Residential Units at year end	2,679	2,450
Overall Portfolio Occupancy Rate <sup>(2)</sup>	99.8%	99.8%
Overall Portfolio Average Monthly Rent (€) <sup>(2)</sup>	1,599	1,517
Gross Yield at Fair Value <sup>(1)(2)</sup>	6.1%	6.6%
<b>As at</b>		
<b>Liquidity and Leverage</b>		
Total Property Value (€ millions)	921.3	750.9
Net Asset Value (€ millions)	618.7	504.0
EPRA Net Asset Value (€ millions)	619.6	504.2
Basic NAV per share (cents)	142.5	120.8
EPRA NAV per share (cents) <sup>(2)</sup>	142.0	118.5
Group Total Gearing <sup>(3)</sup>	33.6%	33.0%
<b>Other</b>		
Market Capitalisation (€ millions)	586.1	625.9
Weighted Average Number of Shares – Basic	427,164,632	417,292,006

(1) Excluding fair value of development land and investment properties under development.

(2) For definitions, method of calculation and other details, refer to pages 20 to 21 of Business Performance Measures under the Business Review section of the Investment Manager's Review.

(3) For definitions, method of calculation and other details, refer to page 19 of Liquidity and Financial Condition under the Operational and Financial Review.

## **Operational excellence and strong market fundamentals delivering profitable growth**

- Continued growth in our revenue from investment properties to €50.6 million for the year was driven by consistently high occupancies, a greater number of rental units and higher average monthly rents compared to last year.
- The Group has achieved residential occupancy levels of 99.8% as at 31 December 2018 (2017: 99.8%) year end.
- Solid rental rate growth during the year arising from acquisitions, renewals and turnovers of residential units.
- Net rental income “NRI” margin of 81.3% for the year ended 31 December 2018, compared to 81.2% for the year ended 31 December 2017.
- Our professional property and asset management is supported by the strong economic fundamentals of the Irish economy as well as the continued strong demand arising from population growth and increasing foreign direct investment creating value added jobs.

## **Disciplined capital allocation and delivering on continued growth of asset portfolio**

- Investment during the period of c. €77.5 million in acquisitions, development and maintenance of asset portfolio.
- I-RES continues to add high quality assets to the portfolio through acquisition and development. The ongoing development projects on existing sites are expected to deliver an estimated additional 23.4% increase in portfolio unit count in the future.

### **Acquisitions and Developments**

- In 2018, transactions for 393 residential units were completed.
  - On 15 November 2017, I-RES acquired a 4.5 acre development site and entered into a development agreement for the development of 99 residential units in Hansfield Wood, Dublin 15 for a total consideration of €30 million (including VAT, but excluding other transaction costs). The 99 residential units on this site were delivered on a phased basis during 2018, 98 of which were leased by 31 December 2018, generating an estimated gross yield of c.7.00%.
  - On 21 May 2018, I-RES acquired Hampton Wood, Finglas, Dublin for a consideration of €40 million (including VAT, but excluding other transaction costs). This newly built apartment building of 128 residential units and 128 car parking spaces, which were fully rented in 2018, generating an estimated gross yield of c. 6.4%.
  - On 8 October 2018, I-RES acquired a 1.3 acre development site for a total consideration of €3.3 million (including VAT, but excluding other transaction costs) and entered into a development agreement for the development of 95 residential units in Hansfield Wood, Dublin 15 for a total consideration of €26.7 million (including VAT, but excluding other transaction costs). Based on management’s expectations of rents at the time of letting and the fixed price cost of completion, the residential units are expected to generate an initial gross yield of c. 6.58% growing to 7.11% by year 3.
  - On 16 November 2018, I-RES entered into a share purchase agreement with DHGL Limited (a subsidiary of Dalata Hotels Group plc) to acquire Bayvan Limited. Bayvan owns a prime development site adjacent to the Tara Towers Hotel on Merrion Road, Sandymount, which has planning permission for 69 residential units. The Company will acquire the shares in Bayvan on completion of the residential units, which is expected to be during Q4 2020 with a long-stop date during Q4 2021. The overall value of the transaction is expected to be up to €47.2 million (including VAT but excluding other transaction costs). The residential units are expected to have an initial gross yield of c. 5.6% growing to 6.09% by year 3.
  - On 17 December 2018, a planning application was submitted for the development of approximately 428 residential units at Rockbrook, Sandyford, Dublin, with significant infrastructure already in place.
  - The Company received planning permission for intensification and conversion to deliver 18 additional residential units at Tallaght Cross West and 61 additional residential units at Bakers Yard.
- The Company continues to evaluate new acquisition opportunities and has development and acquisition capacity of €180 million at 31 December 2018 based on a target gearing of 45% subject to availability of debt.
  - I-RES is in the process of refinancing its credit facility.

## **Dividends**

- It is intended to declare an additional dividend of 3.0 cents per share for the year ended 31 December 2018 on or about 22 February 2019 bringing total dividends for the year ended 31 December 2018 to 5.6 cents per share representing a payout ratio of 86.7% of EPRA earnings.
- Paid a dividend of 2.6 cents per share during September 2018 for the period 1 January 2018 to 30 June 2018.
- Paid an additional dividend of 2.7 cents per share during March 2018 for the year ended 31 December 2017.

## Chairman's Statement

The Board is very satisfied with the performance of the Group under the management of our CEO, Margaret Sweeney, and investment manager, IRES Fund Management Limited. They continue to focus on achieving the strategic priorities established by the Board, and deliver solid and growing yields and profits for investors through quality of their service to tenants and accretive acquisitions and developments.

I-RES continues to transform local tenant expectations of landlords through its model of professional property management, high quality assets and excellent service. Given that all major forecasts indicate that demand for high-quality and professionally managed rental accommodation in Ireland is a permanent feature of the market, the Board remains highly confident in the execution of the growth strategy.

As at 31 December 2018, since its IPO the Group had invested approximately €715 million (including VAT and other transaction costs) in 2,679 residential units across 22 locations in the Dublin area, funded through a combination of equity and debt, and has development potential in its existing assets for an additional 628 units (representing a 23% increase in the portfolio).

### Financial Results

The Group has generated strong growth in revenues and profits for the year ended 31 December 2018 due to rental growth and strong occupancy across the portfolio and acquisition.

Basic EPS and basic EPRA EPS increased to 28.0 cents (79.5%) and 6.5 cents (8.3%), respectively, for the year ended 31 December 2018, compared to 15.6 cents and 6.0 cents respectively for the year ended 31 December 2017.

Basic NAV per share and EPRA NAV per share increased by 22.9% and 19.8%, respectively, for the year ended 31 December 2018 compared to 31 December 2017. This growth is driven mainly by increases in the valuation of the investment properties and acquisitions completed during the year, and NRI, partially offset by dividends paid in 2018.

### Investment Manager

The Board continues to be very satisfied with the significant contribution that I-RES Fund Management Limited, the Company's alternative investment fund manager ("**I-RES Fund Management**" or the "**Investment Manager**"), and senior management and staff of CAPREIT Limited Partnership ("**CAPREIT LP**") have made. CAPREIT LP and I-RES Fund Management provide significant support, including senior and other personnel, an advanced SAP systems platform and other important contributions supporting I-RES.

### Auditors

The European Union ("**EU**") audit reform measures introduce prohibitions on the provision of certain non-audit services by a statutory auditor. As a result of these measures and to ensure that there are no restrictions on the Group's procurement of professional services, the Group has officially appointed KPMG as its Group external auditor, with effect from the 2018 financial year. The new appointment comes after a formal recommendation from the Board to shareholders at the 2018 annual general meeting of the Company. The appointment follows a competitive tender process overseen by management and the Audit Committee.

### Outlook

In summary, the Board is pleased with the Group's performance. The Board believes the positive economic outlook for Ireland and the property market will lead to increased demand in the residential rental sector, along with delivery of development and intensification opportunities should result in continued growth and strong performance of the Group on a sustainable and long-term basis.

Declan Moylan  
Chairman

# Chief Executive Officer's Statement

I am pleased to report that 2018 was another year of solid performance for I-RES REIT as we continued to implement our strategy for growth. Through our professional property management model and the exceptional team on the ground that delivers excellent service to tenants, we have significantly modernised the residential rental model in Ireland. This demand for our properties is evident in our consistently high occupancies and solid rental growth.

As we turn our attention to the future, we are very well positioned to continue our growth and assist with alleviating the shortage of rental accommodation in the market given the favourable conditions in the Irish residential rental market, and the significant gap between demand and supply.

As at 31 December 2018, the portfolio consisted of 2,679 high-quality, well-located residential units along with associated commercial space and owned development sites, (31 December 2017: 2,450 residential units) at a total value of €921.3 million. All of our residential units are in the Dublin area near important transportation links and employment centres.

## Growth Strategy

We continue to deliver on the growth strategy which we outlined during 2018. Due to the limited supply of completed accommodation stock for rental in the Irish market and continued growing demand for rental accommodation, I-RES' strategy is to invest in supply through a combination of:

- Continued acquisition of completed assets at accretive yields
- Development subject to planning consent on all I-RES owned sites
- Investing in future supply through development partnerships with developers of Private Rented Sector ("PRs") assets

During 2018, we made steady progress across all three strands of this strategy.

## Acquisitions

On 21 May 2018, I-RES completed the acquisition of a newly built block of 128 residential units, with 128 car parking spaces, located at Hampton Wood, Finglas, Dublin 11, for a total purchase price of €41 million at an estimated yield of 7%. As at 31 December 2018, 128 residential units at Hampton Woods were fully leased up.

## Development of I-RES owned sites

During 2018, we made significant progress with several development projects. I-RES submitted planning applications in 2018 for 628 residential units across six existing sites. The Company has received planning permissions for 80 residential units in three of these sites. The 80 residential units that were approved include 61 residential units at Bakers Yard, 18 units at Tallaght Cross West, and one residential unit to be converted from an unused crèche to a three-bedroom duplex unit at Coldcut.

The pre-development application for 428 residential units at Rockbrook has been submitted to the Planning Authority. The Company lead a thorough pre-development process consisting of an experienced development team including local designers and architects, to prepare the Rockbrook development application. In addition, planning applications were submitted to planning authorities for an additional 36 residential units and 84 residential units at Priorsgate and Beacon South Quarter respectively.

## Development partnerships for PRS assets

I-RES took delivery of 99 units on a phased basis during the year from its first development partnership at Hansfield Wood, Dublin 15. As at 31 December 2018, 98 of these were leased up.

In October 2018, I-RES entered into a second development agreement at Hansfield Wood, acquiring a 1.3 acre development site in Hansfield Wood, Dublin 15 (the "Hansfield Site") for a total purchase price of €3.3 million (including VAT, but excluding other transaction costs) from Garlandbrook Limited and entered into a development agreement for the development of 95 residential units, for a total consideration of € 26.7 million (including VAT, but excluding transaction costs), generating an estimated gross yield of c. 6.58%.

On 8 October 2018, we entered into a share purchase agreement with DHGL Limited to acquire Bayvan Limited. Bayvan

owns a prime development site adjacent to the Tara Towers Hotel on Merrion Road, Sandymount, which has the benefit of planning permission for 69 residential units. The Company will acquire the shares in Bayvan on completion of the units, which is expected to be in or around Q4 2020 with a long-stop date during Q4 2021. The overall value of the transaction is expected to be up to €47.16 million (including VAT but excluding other transaction costs). Based on management's expectations of rents at the time of letting and the fixed price cost of completion, the residential units are expected to have a year 1 gross yield of c. 5.6% growing to 6.09% in year 3.

### Environmental, Social and Governance (ESG) Strategy

We recognise that responsible investing and ESG-based performance and disclosure is increasingly becoming valued and expected by investors and other stakeholders across the real estate industry. As a leader in Ireland's residential housing market, I-RES is establishing the necessary building blocks to gain better understanding of our exposure to ESG-related risks and to explore opportunities for longer-term value creation. We will focus to deliver on stakeholder engagement and confidence through our ongoing commitment to design, build and operate real estate, including monitoring and managing risks, at standards that aim to deliver both the best possible investment returns and operational performance within the communities we serve.

### Results

Below is a table summarising the Group's financial position as at 31 December 2018 and profit or loss results for the period ended 31 December 2018:

	As at 31 December 2018	As at 31 December 2017
<b>Statement of Financial Position:</b>		
Total Property Value (€ millions)	921.3	750.9
Net Asset Value (€ millions)	618.7	504.0
EPRA Net Asset Value (€ millions)	619.6	504.2
Basic NAV per Share (cents)	142.5	120.8
EPRA NAV per share (cents)	142.0	118.5
Bank Indebtedness (€ millions)	307.5	245.4
Group Total Gearing	33.6%	33.0%
<b>Statement of Profit or Loss and Other Comprehensive Income:</b>		
	For the period ended 31 December 2018	For the period ended 31 December 2017
Revenue from Investment Properties (€ millions)	50.6	44.7
Net Rental Income (€ millions)	41.2	36.3
Profit (€ millions)	119.8	65.1
Basic EPS (cents)	28.0	15.6
Diluted EPS (cents)	27.8	15.4
EPRA EPS (cents)	6.5	6.0

For the year ended 31 December 2018, there was a 12.6% increase in the fair value of the investment properties held as at 31 December 2017 (excluding the 2018 acquisition of Hampton Woods and developments in Hansfield Wood phase I and phase II). The main drivers of this valuation increase in the period were continued rental growth, capitalisation rate compression and higher values for undeveloped sites, partially offset by dividends paid in March 2018 and September 2018, and additional issuance of shares.

Basic NAV per share and EPRA NAV per share were 142.5 cents and 142.0 cents, respectively, as at 31 December 2018, having increased by 18.0% and 19.8% from 120.8 cents and 118.5 cents, respectively, as at 31 December 2017.

The Group also continues to maintain a strong financial position. As at 31 December 2018, the Group Total Gearing was 33.6%, and the Group had an acquisition (including development) capacity of approximately €180 million based on a target gearing of 45%.



Average Monthly Rent (“**AMR**”) for the total portfolio increased by €82 per month from €1,517 per residential unit as at 31 December 2017 to €1,599 per residential unit as at 31 December 2018 due to rental growth from acquisitions, renewals and turnovers.

On a stabilised basis, properties owned as of 31 December 2017 had an AMR of €1,572 as at 31 December 2018, up by 3.6% compared to the same date last year.

As a result of strong property management programmes and strong market fundamentals in the Irish residential rental sector, the residential occupancy level remains high at 99.8% at 31 December 2018, the same level as at 31 December 2017.

For the year ended 31 December 2018, Net Rental Income for the total portfolio increased by 13.5% to €41.2 million compared to the same period last year, and the NRI margin increased to 81.3%, from 81.2% for the same period last year.

EPRA EPS increased by 8.3% to 6.5 cents for the period ended 31 December 2018 compared to 6.0 cents for the same period last year due to organic rental growth and accretive acquisition and development.

### **Dividends**

Under the Irish REIT regime, subject to having sufficient distributable reserves, the Company is required to distribute to shareholders at least 85% of the Property Income of its Property Rental Business for each financial year. The Company paid an additional dividend of 2.7 cent per share (€11.267 million) on 23 March 2018 in respect of the year ended 31 December 2017 representing a total dividend of 5.2 cents per share.

A dividend of 2.6 cents per share (€11.267 million) was paid in September 2018 for the six month period ended 30 June 2018.

The Board intends to declare an additional dividend of 3.0 cents per share for the year 31 December 2018 following the filing of the relevant financial statements for the Company with the Companies Registration Office in Dublin, Ireland on or about 22 February 2019, which would bring the total dividend for the year to 5.6 cents per share representing an increase of 7.7%.

### **Strategy for Future Growth**

I-RES has achieved significant growth in 2018 and will continue to build on this momentum in line with our strategic approach set out earlier.

During 2019 and beyond I-RES will continue to consider acquisition opportunities in the Dublin market and the main urban centres in Ireland. The Company will also expand its portfolio to include development and acquisitions in commuter markets outside of Central Dublin that meet the following three key criteria:

1. Strong local employment
2. Good transportation connections
3. Family-friendly neighbourhoods with nearby schools and good infrastructure

While continuing to pursue accretive acquisitions, I-RES is increasing its focus on investment in development and intensification opportunities to grow the asset base. A strong pipeline of future asset growth is being progressed. Successful planning approval for the development of an estimated 628 residential units on sites owned by the Group would increase the current portfolio size by c. 23%. In 2018 planning applications have been submitted for all of these sites, of which the Company at 31 December 2018 received planning permissions to build 80 residential units.

I-RES is also pursuing mutually beneficial partnerships with local builders and developers. Leveraging its strong balance sheet, I-RES can deploy financing at attractive rates and secure the option to acquire units in approved developments, enabling I-RES to deliver new homes at accretive yields. In 2018, Hansfield Phase I was completed delivering 99 residential units and I-RES entered into a further development agreement for Hansfield Phase II, for 95 additional residential units to be completed by July 2020. In addition, an agreement entered into with DHGL Limited will deliver a further 69 residential units at the former Tara Towers Hotel site by Q4 2020 (backstop Q4 2021).

### **Positive Outlook**

Despite continued improvement in housing output in Ireland during 2018, a significant shortage of accommodation still remains the most pressing issue within the housing market. Supply remains limited due to a lack of construction. This macro environment coupled with our continued investment and professional property management, provides significant opportunities for I-RES to continue to grow as the leading private residential company in Ireland. On the demand side, the Irish economy remains one of the fastest-growing in the European Union with 1,300 jobs created each week in 2018 and unemployment now below 5.5%, both of which continue to support residential demand. Housing completions in Ireland are projected at 24,000 units in 2019 and 28,500 units in 2020 is less than an estimated requirement for between 30,000 and 50,000 units per annum.

We continue to monitor the impact and potential risks and opportunities for the Group from market events such as Brexit and US policy on Foreign Direct Investment in Ireland. The Group is closely monitoring the situation with Brexit. It could have an impact on housing demand, which would be beneficial to the Group. However, depending on trade and supply chain impacts, the withdrawal could drive the costs of inputs, such as building materials and equipment, which could impact the Group's development plans, as well as maintenance activities for existing assets. We believe, however, that it is too early to definitively gauge the likely impact of these events for Ireland and potentially for the Irish residential real estate market.

We are confident that the quality of the portfolio and market fundamentals will continue to drive strong occupancies and increasing property income over the long term. As we increase the size and scale of our property portfolio, we will benefit from economies of scale and operating synergies, further enhancing our organic growth.

Finally, the combination of attractive market opportunities and the Group's strong balance sheet continues to support us building a leading residential rental business in Ireland generating strong shareholder returns and growing dividends.

In closing, I would like to express how impressed I am with the quality of all of the team that makes I-RES such a success. From our operations team on the ground who take such excellent care of our tenants to the entire I-RES Fund Management group here in Dublin, our partners and colleagues in CAPREIT and the Board of Directors of the Company, it is a remarkable group. It is an exciting time for I-RES and I look forward to working with everyone as we move toward continued success in the future.

Margaret Sweeney  
Chief Executive Officer

## Investment Manager's Statement

It was a very good year for our team in Ireland that solidified our ability to deliver consistent yields for investors. In particular, we enhanced our capacity to deliver high-quality accommodations and services for tenants while continuing to pursue our strategy for growth.

I-RES is distinctive in the market not only for its professional property management model but also for our commitment to placemaking and community building. Our highly-qualified and talented operations team, which features a member on-site at every building and offers extensive supports such as a 24-hour emergency line, leads the way nationally. They build close relationships with tenants and ensure that our reputation for quality assets is sustained through proactive and attentive maintenance. It is our objective to ensure that people simply love to live in our buildings, which leads to the consistently high occupancy rates we have delivered year after year.

Our local capabilities are amplified by our access to the global expertise, systems and technology platforms of CAPREIT, a Canadian leader in the professional property management of rental accommodation. Building on the CAPREIT model, which features open and regular communication with residents, best practices in employee development, and innovative strategies for attracting and retaining tenants, we continually improve our offerings to tenants to ensure that the service we provide exceeds expectations.

With this solid foundation of tenant satisfaction in place, and the benefit of market fundamentals that are highly favourable to a residential REIT model, we continue to pursue the Group's three-pronged growth strategy of acquiring completed assets, engaging in partnerships to pursue new asset development, and moving forward with developing existing I-RES properties. On this last item, December saw us fulfil our 2018 ambition of making a submission for planning permission for every existing property, which is part of what led our pipeline of future asset growth to reach c. 30% for our own sites and development partnership agreements announced.

This future progress will build on the existing base of properties we have acquired and developed already – diversified high-quality assets distributed around Dublin and located close to transport hubs, schools and major employers. In these areas, we have expanded our community engagement activities and worked with local residents to deepen our relationship with neighbours and tenants. These activities are all part of our effort to deliver exceptional living experiences that encourage tenants to put down roots and stay.

Ireland remains one of the fastest growing economies in the European Union, and the consistently high demand for quality rental properties, combined with a growing appreciation of the value of I-RES' professional property management approach, is perfectly aligned with the I-RES model of long-term commitment to a residential market.

I look forward to another successful year of delivering exceptional service to tenants and consistent yields for investors.

Scott Cryer  
Director of I-RES Fund Management

## **Business Review**

The Company continues to seek accretive acquisitions and pre-purchase commitments within Dublin and its commuter zones in order to grow its portfolio. Additionally, the Company owns a number of well-located development sites which have the capacity to deliver c. 628 new units subject to planning permission. The company has made significant progress through 2018 in placing all its development sites into the planning process with a number of significant planning grants having been achieved during the year.

The Irish residential market continues to see low levels of new apartment building against the backdrop of a significant supply and demand imbalance. Accordingly, the rental market remains robust with strong demand and effective 100% occupancy across the Company's portfolio.

The I-RES strategy for future growth is focused around:

- Acquisition of quality completed assets
- Development and intensification of existing sites and buildings
- Development partnerships/pre-purchase contracts

Whilst the focus of the Group's acquisition and development activity is on the Dublin and Dublin commuter belt markets, the Company continues to explore opportunities in the regional markets.

### **Completed Developments in 2018**

#### **Bakers Yard, Great Portland Street, Dublin 1 (1 residential unit)**

The Company achieved a grant of planning permission to convert a commercial unit to a residential unit. Construction work was completed in Q4 2018 and the new residential unit is now occupied. This increases the total number of units owned by the Company to 86 at the Bakers Yard development.

#### **Hansfield Wood, Dublin 15 (Phase I) (99 residential units)**

In September 2017, the Company acquired a 1.8ha (4.5 acre) development site at Hansfield Wood with planning permission for 99 residential units (73 x 3-bed townhouses and 26 apartments). The Company also entered into a development agreement with Garlandbook Limited to develop the 99 residential units.

The residential units were completed and handed over to the Company on a phased basis from March 2018 and I-RES has now taken ownership of all 99 residential units. The I-RES operations team successfully leased 98 residential units as at 31 December 2018.

### **High-Quality Acquisitions in 2018**

#### **The Marker, Grand Canal, Dublin 2 (1 residential unit)**

In March 2018, the Company acquired one two-bed apartment at the Marker, increasing its ownership in this centrally located high-end development to 85 apartments.

#### **The Square, Hampton Wood, Finglas, Dublin 15 (128 residential units)**

In May 2018, I-RES acquired 128 residential units with 128 car parking spaces at the Square, Hampton Wood, Finglas, Dublin 11 for €40 million (including VAT, but excluding other transaction costs). The newly built self-contained apartments comprise 46 one-bedroom and 82 two-bedroom apartments. On acquisition, 24 of the apartments were leased and income producing by the developer leaving 104 apartments available for immediate lease up. The I-RES operations team successfully leased all of the unlet apartments following acquisition.

The Hampton Wood scheme is surrounded by excellent infrastructure and amenities including the M50 Motorway, Dublin City University (4 kms), Dublin Airport (6.5 kms), Northwood Business Park (2.5 kms) and Dublin City Centre (8.5 kms). The scheme is also located close to the Charlestown development (1 km) where I-RES owns 235 residential units.

### **Development Partnerships/Pre-Purchase Contracts 2018**

#### **Hansfield Wood Phase II, Hansfield, Dublin 15 (95 residential units)**

In September 2018, the Company acquired a 0.52ha (1.3 acre) development site in Hansfield Wood, Dublin 15 for a total

purchase price of €3.3 million (including VAT, but excluding other transaction costs) from Garlandbrook Limited.

The Company also entered into a development agreement with Garlandbrook Limited, as developer, and Newline Homes Limited, as building contractor, to develop 95 residential units on the Hansfield Site for a total consideration of €26.7 million (including VAT, but excluding other transaction costs), generating an estimated gross yield of c. 6.58% growing to 7.11% by year 3.

The Hansfield Site is surrounded by excellent infrastructure and amenities including road and rail transport, schools, hospital, retail and leisure facilities. The Hansfield Train Station which sits next to the development offers a quick and regular rail link to Dublin City Centre, a journey time of circa 30 minutes. Significant employers in the immediate locality include EBay, Paypal, Xerox, Amazon and the Connolly Memorial Hospital.

#### **The Bellevue, Merrion Road, Dublin 4 (up to 69 residential units)**

On 16 November 2018, I-RES entered into a share purchase agreement with DHGL, a subsidiary of Dalata Hotel Group plc ("Dalata") to acquire the shares of Bayvan Limited ("Bayvan"), a subsidiary of Dalata (the "Merrion Transaction"). Bayvan owns a prime development site located at Merrion Road, Dublin 4 (part of the former Tara Towers Hotel site) which has the benefit of planning permission for 69 residential units. Pursuant to a development agreement, Bayvan has engaged DHGL to develop 69 residential units on the site and I-RES will acquire the shares in Bayvan only on completion of the units, which is expected to be in or around Q4 2020 with a long-stop date during Q4 2021.

The overall value of the transaction, expected to be up to €47 million (including VAT, but excluding other transaction costs), and the number of residential units acquired depends on how Part V obligations (Social and Affordable allocation) are settled with Dublin City Council. The obligations of DHGL are guaranteed by Dalata. Based on management's expectations of rents and the fixed price cost of completion, the residential units are expected to have a gross yield of c. 5.6% the first year, growing to 6.1% in year 3.

By residential type, the scheme will comprise a mix of townhouses, studio apartments, two-bedroom apartments, two-bedroom duplexes and three-bedroom apartments.

The new development is located adjacent to the Elmpark development where the company owns and operates 201 existing residential units and provides a unique opportunity to expand the I-RES asset base in Dublin 4, Dublin's premier residential address. The residential units, including many with sea views across Dublin Bay will appeal to a host of potential tenants including executives, foreign embassies and those seeking to trade down. The scheme is surrounded by excellent infrastructure including road and rail transport (15 mins to Dublin City Centre by DART rail line), schools, hospitals, retail and leisure facilities in nearby Ballsbridge and Blackrock.

#### **Development and Intensification of Existing Assets**

I-RES is heavily focused on development opportunities in response to the significant supply and demand imbalance in the Dublin area. During 2018 I-RES submitted planning applications to build c. 628 residential units across its various existing sites. To date the Company has received planning permissions to build 80 residential units.

#### **Tallaght Cross West, Dublin 24**

In March 2018, the Company received a grant of planning permission for the conversion of unused commercial spaces to 18 residential units. Contracts are currently being finalised with the contractor to begin works in Q1 2019 with completion Q4 2019.

#### **Coldcut, Clondalkin, Dublin 22**

In July 2018, the Company received a grant of planning permission to convert an unused crèche (day-care facility) to a three-bedroom duplex residential unit.

#### **Bakers Yard, Great Portland Street, Dublin 1**

The Company owns a 0.18 ha (0.45 acre) development site at the Bakers Yard scheme. In December 2017, a planning application was submitted for 61 residential units, three commercial units and 33 surface-level car spaces. The site is very well located within walking distance of the International Financial Services Centre, Trinity College and the Mater Hospital.

In September 2018, a final grant of planning permission for the proposed 61 residential units development was granted and demolition and clearance of the site commenced in Q4 2018.

**Bruce House, Priorsgate, Tallaght, Dublin 24**

The Company has received a Notification of Decision to Grant planning permission for 31 residential units above ground floor commercial space from the local planning authority.

The decision was appealed by a third party to An Bord Pleanala (the planning appeals board).

**Priorsgate, Tallaght, Dublin 24**

The Company has received a Notification of Decision to Grant planning permission for the conversion of unused commercial spaces to five residential units. No appeal has been lodged as of yet. If no appeal is lodged, the local planners will issue a final grant of permission.

**Rockbrook, Sandyford**

The Company owns a development site of approximately 1.13 ha (2.8 acres) at the Rockbrook scheme in Sandyford. On acquisition of the site the Company inherited significant in-place infrastructure, in particular the three-level basement car park that was partially completed by the original developer. Under the local area Development Plan the site is zoned for buildings that range in height from five-fourteen storeys and the site was previously granted planning permission for a 467 residential unit scheme in 2006. This planning permission has expired.

The Company appointed a new local design team in early 2018 to prepare an entirely new design and planning application for the site. The planning application follows the new planning process known as the 'Strategic Housing Development' application whereby planning applications for residential schemes of over 100 units are presented direct to An Bord Pleanala following consultation with the local planning authority. Following consultation with the local planning authority the Company's pre-planning application was submitted to An Bord Pleanala in December 2018 for 428 residential units. It is anticipated that a final decision with regards to the planning application will be available in the second half of 2019.

**Site B4, Beacon South Quarter, Sandyford**

Site B4 is strategically located at the entrance to the Sandyford Business District between the Beacon Private Hospital and the Maple apartments.

A planning application has been submitted for 84 residential units above ground floor commercial space.

**Site B3, Beacon South Quarter, Sandyford**

Site B3 fronts Blackthorn Drive next to the I-RES owned Gates Block of residential units at Beacon South Quarter. A pre-planning submission has been issued to the local planning authority for a scheme of 45 residential units. It is expected that the initial preplanning meeting will take place in Q1 2019.

## Property Portfolio Overview

The following tables provide the Group's property portfolio valuation as at 31 December 2018 compared to 31 December 2017.

Property Location	Location	Year Built	Date Acquired	Commercial Space Owned (sq.m.) <sup>(1)</sup>	# of Apts. Owned <sup>(1)</sup>	Total # of Apts. <sup>(1)</sup>	Purchase Price <sup>(3)(5)</sup>	Value as at 31 December 2017 <sup>(5)</sup>	Value as at 31 December 2018 <sup>(1)(5)</sup>
<b>City Centre</b>									
1 Kings Court	Smithfield	2006	10-Sep-13	566	83	83	12.5	21.3	23.7
2 The Marker <sup>(6)</sup>	Docklands	2012	18-Jul-14	1,218	85	105	50.1	63.1	72.3
3 Bakers Yard <sup>(8)</sup>	Portland Street North	2007 /2008	07-Oct-14	792	86	133	17.3	22.5	26.2
4 City Square	Gloucester Street	2006	07-Apr-16	57	23	27	5.9	6.1	8.0
<b>Total City Centre</b>				<b>2,633</b>	<b>277</b>	<b>348</b>	<b>85.8</b>	<b>113.0</b>	<b>130.2</b>
<b>Prime Suburbs</b>									
5 Beacon South Quarter	Sandyford	2007 /2008	07-Oct-14	2,395	225	880	86.3	82.2	85.1
6 Grande Central <sup>(2)</sup>	Sandyford	2007	10-Sep-13	-	65	195	11.4	22.4	25.1
7 Rockbrook Grande Central <sup>(2)(4)</sup>	Sandyford	2007	31-Mar-15	3,529	81	195	24.8	30.2	33.0
8 Rockbrook South Central <sup>(4)</sup>	Sandyford	2007	31-Mar-15	1,136	189	224	62.5	78.0	89.2
9 The Forum	Sandyford	2007	17-Feb-16	-	8	127	2.3	2.4	3.0
10 The Maple	Sandyford	2017	12-Jul-17	-	68	68	17.4	27.7	31.5
11 Elmpark Green	Merrion	2006	25-May-16	-	201	332	59.0	63.7	72.2
12 Bessboro	Terenure	2008	11-Dec-15	-	40	40	12.2	13.2	15.5
<b>Total Prime Suburbs</b>				<b>7,060</b>	<b>877</b>	<b>1,866</b>	<b>275.9</b>	<b>319.8</b>	<b>354.6</b>
<b>Secondary Suburbs</b>									
13 Priorsgate	Tallaght	2007	10-Sep-13	2,538	103	199	9.0	21.2	25.0
14 The Laurels	Tallaght	2007	27-Jun-14	190	19	19	2.1	3.5	4.0
15 Charlestown	Finglas	2007	07-Oct-14	-	235	285	51.1	59.9	65.8
16 Tallaght Cross West	Tallaght	2008	15-Jan-16	18,344	442	507	83.0	91.0	110.1
17 Coldcut Park	Clondalkin	2012	31-Aug-16	-	90	94	18.5	20.1	21.2
<b>Total Secondary Suburbs</b>				<b>21,072</b>	<b>889</b>	<b>1,104</b>	<b>163.7</b>	<b>195.6</b>	<b>226.1</b>
<b>Inchicore/Drimnagh</b>									
18 Camac Crescent	Inchicore	2008	10-Sep-13	-	90	110	9.9	20.4	21.7
19 Lansdowne Gate	Drimnagh	2005	07-Oct-14	-	224	280	60.4	66.1	71.8
20 Tyrone Court	Inchicore	2014	05-Jun-15	-	95	131	19.5	24.3	27.9
<b>Total Inchicore/Drimnagh</b>				<b>-</b>	<b>409</b>	<b>521</b>	<b>89.8</b>	<b>110.8</b>	<b>121.4</b>
<b>Total owned portfolio as at 31 December 2017</b>				<b>30,765</b>	<b>2,452</b>	<b>3,839</b>	<b>615.2</b>	<b>739.2</b>	<b>832.2</b>
21 Hansfield Wood <sup>(9)</sup>	Ongar	2018	15-Nov-17	-	99	99	31.6	11.6	37.3
Hansfield Wood II <sup>(7)</sup>	Ongar	2018	08-Oct-18	-	-	95	10.5	n/a	10.5
22 Hampton Woods	Finglas	2018	21-May-18	-	128	128	40.0	n/a	41.3
<b>Total investment properties owned as at 31 December 2018</b>				<b>30,765</b>	<b>2,679</b>	<b>4,161</b>	<b>697.3</b>	<b>750.8</b>	<b>921.3</b>

(1) As at 31 December 2018.

(2) Total number of owned apartments at Grande Central as of 31 December 2018 is 146.

(3) Purchase price includes VAT but excludes transaction costs.

- (4) Purchase price for Rockbrook properties allocated based on number of apartments and commercial space square metres.
- (5) In millions of euros.
- (6) Additional apartment acquired March 2018.
- (7) Includes apartments under development that are valued at €10.5 million as at 31 December 2018. On 8 October 2018, I-RES acquired the land for €3.3 million. 95 residential units will be completed over the next two years.
- (8) Additional apartment converted from commercial accommodation to a residential apartment Q4 in 2018.
- (9) On 15 November 2017, I-RES acquired the land for €7 million. 99 residential units were transferred to I-RES throughout 2018



**Property Overview**

	Property Location	Location	# of Apts. Owned <sup>(1)</sup>	Annualised Passing Rent <sup>(1)(4)</sup> € 000's	Average Monthly Rent Per Apt. <sup>(1)(2)(3)</sup>	Occupancy <sup>(1) (2)</sup>	Gross Yield at Fair Value
<b>City Centre</b>							
1	Kings Court	Smithfield	83	€ 1,553	€ 1,464	100.0%	6.6%
2	The Marker	Docklands	85	€ 3,179	€ 2,771	97.6%	4.4%
3	Bakers Yard	Portland Street North	86	€ 1,626	€ 1,486	100.0%	6.8%
4	City Square	Gloucester Street	23	€ 468	€ 1,632	100.0%	5.9%
<b>Total City Centre</b>			<b>277</b>	<b>€ 6,827</b>	<b>€ 1,886</b>	<b>99.4%</b>	<b>5.9%</b>
<b>Prime Suburbs</b>							
5	Beacon South Quarter	Sandyford	225	€ 5,799	€ 1,853	99.6%	7.3%
6	Grande Central	Sandyford	65	€ 1,345	€ 1,724	100.0%	5.4%
7	Rockbrook Grande Central	Sandyford	81	€ 1,879	€ 1,661	100.0%	5.7%
8	Rockbrook South Central	Sandyford	189	€ 3,865	€ 1,687	100.0%	5.5%
9	The Forum	Sandyford	8	€ 171	€ 1,777	100.0%	5.7%
10	The Maple	Sandyford	68	€ 1,670	€ 2,046	100.0%	5.3%
11	Elmpark Green	Merrion	201	€ 3,835	€ 1,590	99.5%	5.3%
12	Bessboro	Terenure	40	€ 796	€ 1,657	100.0%	5.1%
<b>Total Prime Suburbs</b>			<b>877</b>	<b>€ 19,359</b>	<b>€ 1,735</b>	<b>99.9%</b>	<b>5.7%</b>
<b>Secondary Suburbs</b>							
13	Priorsgate	Tallaght	103	€ 1,627	€ 1,199	99.0%	6.8%
14	The Laurels	Tallaght	19	€ 343	€ 1,286	100.0%	8.7%
15	Charlestown	Finglas	235	€ 3,927	€ 1,392	100.0%	6.0%
16	Tallaght Cross West	Tallaght	442	€ 7,470	€ 1,287	99.8%	6.8%
17	Coldcut Park	Clondalkin	90	€ 1,574	€ 1,457	100.0%	7.4%
<b>Total Secondary Suburbs</b>			<b>889</b>	<b>€ 14,941</b>	<b>€ 1,322</b>	<b>99.8%</b>	<b>7.1%</b>
<b>Inchicore/Drimnagh</b>							
18	Camac Crescent	Inchicore	90	€ 1,514	€ 1,401	100.0%	7.0%
19	Lansdowne Gate	Drimnagh	224	€ 4,310	€ 1,604	100.0%	6.0%
20	Tyrone Court	Inchicore	95	€ 1,795	€ 1,574	100.0%	6.4%
<b>Total Inchicore/Drimnagh</b>			<b>409</b>	<b>€ 7,619</b>	<b>€ 1,552</b>	<b>100.0%</b>	<b>6.5%</b>
<b>Total owned portfolio as at 31 December 2017<sup>(5)</sup></b>			<b>2,452</b>	<b>€ 48,745</b>	<b>€ 1,572</b>	<b>99.8%</b>	<b>5.9%</b>
21	Hansfield Wood I	Ongar	99	€ 2,508	€ 2,133	99.0%	6.7%
	Hansfield Wood II <sup>(6)</sup>	Ongar	-				n/a
22	Hampton Wood	Finglas	128	€ 2,635	€ 1,716	100.0%	6.4%
<b>Total owned portfolio as at 31 December 2018</b>			<b>2,679</b>	<b>€ 53,888</b>	<b>€ 1,599</b>	<b>99.8%</b>	<b>6.1%</b>

(1) As at 31 December 2018.

(2) Based on residential units.

(3) Average monthly rent (AMR) is defined as actual monthly residential rents, net of vacancies, as at the stated date, divided by the total number of apartments owned in the property.

(4) Annualised Passing Rent is the annualised cash rental income being received as at the stated date, which is then used to calculate the Gross Yield.

(5) Total owned portfolio as at 31 December 2017 was 2,450. In 2018, an additional unit was acquired at the Marker and commercial accommodation was converted to a residential apartment at Bakers Yard.

(6) As at 31 December 2018, Hansfield Wood Phase II was still under construction.

Please see the Supplemental information section for details of each property

**Net Rental Income and Profit for Year Ended**

	<b>31 December 2018</b>	<b>31 December 2017</b>
	€'000	€'000
<b>Operating Revenues</b>		
Revenue from investment properties	<b>50,608</b>	44,693
<b>Operating Expenses</b>		
Property taxes	<b>(536)</b>	(557)
Property operating costs	<b>(8,914)</b>	(7,865)
	<b>(9,450)</b>	(8,422)
<b>Net Rental Income ("NRI")</b>	<b>41,158</b>	36,271
General and administrative expenses	<b>(3,258)</b>	(3,209)
Asset management fee	<b>(3,178)</b>	(2,770)
Share-based compensation expense	<b>(228)</b>	(190)
Net movement in fair value of investment properties	<b>92,664</b>	40,450
(Loss) on derivative financial instruments	<b>(659)</b>	(241)
Depreciation of property, plant and equipment	<b>(8)</b>	(9)
Financing costs on credit facility	<b>(6,706)</b>	(5,223)
<b>Profit for the Period</b>	<b>119,785</b>	65,079

**Operating Revenues**

For the year ended 31 December 2018, total operating revenues increased by 13.2% compared to the year ended 31 December 2017, due to the full year of contributions from prior year acquisitions, acquisitions and completed developments during 2018, increased monthly rents and consistently high occupancy levels.

**Net Rental Income**

The NRI margin has been presented as the Company believes this measure is indicative of the Group's operating performance. For the period ended 31 December 2018, NRI increased by 13.5% primarily due to development completed in the prior year having a full-year impact, acquisitions and completed development during 2018 and organic rental growth. The NRI margin for the current period slightly increased to 81.3% compared to 81.2% for last year.

**General and Administrative ("G&A") Expenses**

G&A expenses include costs directly attributable to head office, such as executives' salary, director fees, professional fees for audit, legal and advisory services, depository, and other general and administrative expenses.

**Asset Management Fee Expenses**

Pursuant to the investment management agreement between IRES Fund Management and I-RES, effective on 1 November 2015, (the "**Investment Management Agreement**"), I-RES pays 3.0% per annum of its gross rental income as property management fees (included under property "Operating Expenses" above) and 0.5% per annum of its net asset value, together with relevant reimbursements, as asset management fees to the Investment Manager. The Investment Management Agreement governs the provision of portfolio management, risk management and other related services to the Company by the Investment Manager. It has an initial term of five years, unless it is duly terminated pursuant to a provision of the Investment Management Agreement, and thereafter shall continue in force for consecutive five-year periods. I-RES Fund Management has the ability to serve 12 months notice of the termination of their agreement after 1 November, 2019. Asset management fee expenses for the year ended 31 December 2018 were €3.2 million compared to €2.8 million for year ended 31 December 2017.

**Share-based Compensation Expenses**

Options are issuable pursuant to I-RES' share-based compensation plan, namely, the long-term incentive plan ("**LTIP**"). Options were granted on 26 March 2015 and 16 April 2014 by I-RES to certain trustees and employees of CAPREIT and its affiliates and to the Company's former Chief Executive Officer. In addition, on 16 November 2017, options were granted to Margaret Sweeney, Chief Executive Officer of I-RES. The options will have a maximum life of seven years less

a day and will vest over three years from the date of grant on the basis of one third per year the recipient of the option completes in respect of the relevant service which has qualified him or her for an option grant. The LTIP limit cannot exceed 10% of I-RES' issued ordinary share capital (adjusted for share issuance and cancellation) during the 10-year period prior to that date. The fair value of options has been determined as at the grant date using the Black-Scholes model. The share compensation amortisation is the highest in the first year of the grant and decreases over the vesting term.

#### **Unrealised Gain on Remeasurement of Investment Properties**

I-RES recognises its investment properties at fair value at each reporting period, with any unrealised gain or loss on remeasurement recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018. The fair value gain on investment properties is mainly due to (i) the continued rental growth from income properties, (ii) increased values of undeveloped sites, and (iii) capitalisation rate compression, which has led to an increase in value of €92.7 million for the period ended 31 December 2018

#### **Gain (Loss) on derivative financial instruments**

On 28 February 2017 and 15 September 2017, I-RES entered into interest rate swap agreements aggregating to €204.8 million. The agreements effectively convert borrowings on a EURIBOR-based floating rate credit facility to a fixed rate facility, the fixed portion being EURIBOR rate of c. minus 0.09% per annum and will mature in January 2021. For the year ended 2018, there was fair value loss of c. €0.7 million recorded in the income statement compared to c. €0.2 million for 2017.

#### **Financing Costs on Credit Facility**

Financing costs, which include the amortisation of certain financing expenses, interest and commitment costs, increased for the year ended 31 December 2018 to €6.7 million from €5.2 million for the year ended 31 December 2017. The increase is mainly due to a higher weighted average loan balance due to acquisitions and developments in the period, and higher weighted average interest rate.

### **Property Portfolio Overview**

#### Property Capital Investments

The Group capitalises all capital investments related to the improvement of its properties. For the year ended 31 December 2018, the Group made property capital investments of €5.0 million consistent to €5.0 million for the year ended 31 December 2017, including building and in-suite improvements.

At Beacon South Quarter, in addition to the capital expenditure work that has already been completed, water ingress and fire remediation works were identified in 2016, and I-RES is working with the Beacon South Quarter owners' management company to resolve these matters. In 2017, in relation to these water ingress and fire remedial works, levies were approved by the members of the Beacon South Quarter owners' management company. I-RES' portion of these levies as at 31 December 2018 is c. €1.6 million. There is also an active insurance claim with respect to the water ingress and related damage.

#### Liquidity and Financial Condition

##### **Liquidity and Capital Resources**

The Company ensures there is adequate overall liquidity by maintaining an available credit facility sufficient to fund maintenance and property capital investment commitments and distributions to shareholders, and to provide for future growth in the business. The Group's business continues to be stable and is expected to generate sufficient cash flow from operating activities to fund the current level of distributions.

I-RES takes a proactive approach to ensure the Group's overall leverage ratios and interest and debt service coverage ratios are maintained at a sustainable level. In addition, the Group focuses on maintaining capital adequacy by complying with its investment and debt restrictions and financial covenants in its credit facility agreement.

The Group is in compliance with all of its investment and debt restrictions and financial covenants contained in the facility agreement amended and restated on 15 September 2017 with Barclays Bank Ireland PLC, Ulster Bank Ireland DAC and Bank of Ireland (formerly known as The Governor and Company of the Bank of Ireland).

#### Group Total Gearing

At 31 December 2018, capital consists of equity and debt, with Group Total Gearing of 33.6%, which is well below the Board's target of 45% and the 50% maximum allowed by the Irish REIT Regime. As a result, the Group has significant capacity of c. €180 million to acquire and/or develop additional properties. I-RES seeks to use gearing to enhance shareholder returns over the long term.

I-RES' Credit Facility borrowing capacity is as follows:

As at	31 December 2018 (€'000)	31 December 2017 (€'000)
Facility	350,000	350,000
Less: EURIBOR Borrowings	309,159	247,850
Available Borrowing Capacity	40,841	102,150
Weighted Average Interest Rate	1.93%	1.80%

Effective 15 September 2017, the interest rate on the Credit Facility is set at the annual rate of 2%, plus the one-month or three-month EURIBOR rate (at the option of I-RES), with a floor rate of 0% for the EURIBOR if it is negative for the unhedged portion.

#### Business Performance Measures

The Group, in addition to the Operational and Financial results presented above, has defined business performance indicators to measure the success of its operating and financial strategies:

##### Average Monthly Rent ("AMR")

AMR is calculated as actual monthly residential rents, net of vacancies, as at the stated date, divided by the total number of residential units owned in the property. Through active property management strategies, the lease administration system and proactive capital investment programmes, I-RES increases rents as market conditions permit and subject to applicable laws. It has been presented as the Company believes this measure is indicative of the Group's performance of its operations.

##### Occupancy

Occupancy rate is calculated as the total number of residential units occupied over the total number of residential units owned as at the reporting date. I-RES strives, through a focused, hands-on approach to the business, to achieve occupancies that are in line with, or higher than, market conditions in each of the locations in which it operates. Occupancy rate is used in conjunction with AMR to measure the Group's performance of its operations.

##### Gross Yield at Fair Value

Gross Yield is calculated as the Annualised Passing Rents as at the stated date, divided by the fair market value of the investment properties as at the reporting date, excluding the fair value of development land and investment properties under development. Through generating higher revenues compared to the prior year and maintaining high occupancies, I-RES' objective is to increase the Annualised Passing Rent for the total portfolio, which will positively impact the Gross Yield. It has been presented as the Company believes this measure is indicative of the rental income generating capacity of the total portfolio.

## European Public Real Estate Association (“EPRA”) Earnings per Share

EPRA Earnings represents the earnings from the core operational activities (recurring items for the Group). It is intended to provide an indicator of the underlying performance of the property portfolio and therefore excludes all components not relevant to the underlying and recurring performance of the portfolio, including any revaluation results and results from the sale of properties. EPRA EPS is calculated by dividing EPRA Earnings for the reporting period attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period. It has been presented as the Company believes this measure is indicative of the Group’s performance of its operations.

## EPRA NAV per Share

EPRA NAV measures the fair value of net assets on an ongoing, long-term basis in accordance with guidelines issued by EPRA. EPRA NAV excludes the net mark-to-market value of financial instruments used for hedging purposes and where a company has the intention to keep the hedge position until the end of the contractual duration, and deferred tax in respect of any difference between the fair value and the book value of the investment properties. EPRA NAV is then divided by the diluted number of ordinary shares at the reporting date. To optimise this measure, I-RES focuses on growing asset value and maximising shareholder value through active and efficient asset and property management. It has been presented as the Company believes this measure is indicative of the Group’s operating performance and value growth.

### Average Monthly Rents and Occupancy

As at 31 December	Total Portfolio					Properties Owned Prior to 31 December 2017					Properties Acquired After 31 December 2017	
	2018		2017		AMR change %	2018		2017		AMR change %		
	AMR	Occ. %	AMR	Occ. %		AMR	Occ. %	AMR	Occ. %		AMR	Occ. %
Residential	€ 1,599	99.8%	€ 1,517	99.8%	5.4%	€ 1,572	99.8%	€ 1,517	99.8%	3.6%	€ 1,924	99.0%

The Group has generated strong rental growth and maintained a high level of residential occupancy across the portfolio during the year, indicative of the strong market fundamentals in the Irish residential rental sector. Stabilised AMR increased to €1,572 per residential unit as at 31 December 2018, up 3.6% from €1,517 at 31 December 2017, largely due to strong increases in monthly rental rates on c. 81% of combined renewals and turnovers during the year and consistent occupancy rates compared to last year. Stabilised AMR is used as a measure for sustainable year over year changes in revenues.

### Gross Yield at Fair Value

As at	31 December 2018	31 December 2017
	(€'000)	(€'000)
Annualised Passing Rent	53,888	47,060
Aggregate fair market value as at reporting date	882,416	716,785
Gross Yield	6.1%	6.6%

The portfolio Gross Yield at fair value was 6.1% as at 31 December 2018 compared to 6.6% as at 31 December 2017, excluding the fair value of development land and investment properties under development. The NRI margin was approximately 81.3% for the year ended 31 December 2018 (81.2% for the year ended 31 December 2017).

## EPRA Earnings per Share

For the year ended	31 December 2018	31 December 2017
<b>Total comprehensive income for the year attributable to shareholders (€'000)</b>	<b>119,785</b>	65,079
Adjustments to calculate EPRA Earnings exclude:		
Changes in fair value on investment properties (€'000)	<b>(92,664)</b>	(40,450)
Changes in fair value of derivative financial instruments (€'000)	<b>659</b>	241
<b>EPRA Earnings (€'000)</b>	<b>27,780</b>	24,870
Basic weighted average number of shares	<b>427,164,632</b>	417,292,006
Diluted weighted average number of shares	<b>431,236,978</b>	423,432,918
<b>EPRA Earnings per share (cents)</b>	<b>6.5</b>	6.0
<b>EPRA Diluted Earnings per share (cents)</b>	<b>6.4</b>	5.9

## EPRA NAV per Share

As at	31 December 2018	31 December 2017
<b>Net assets (€'000)</b>	<b>618,724</b>	503,984
Adjustments to calculate EPRA net assets exclude:		
Fair value of derivative financial instruments (€'000)	<b>913</b>	249
<b>EPRA net assets (€'000)</b>	<b>619,637</b>	504,233
Number of shares outstanding	<b>434,153,946</b>	417,292,006
Diluted number of shares outstanding	<b>436,272,927</b>	425,453,830
Basic Net Asset Value per share (cents)	<b>142.5</b>	120.8
EPRA Net Asset Value per share (cents)	<b>142.0</b>	118.5

EPRA EPS for the period was 6.5 cents for the year ended 31 December 2018.

EPRA NAV was c. €619.6 million, with EPRA NAV per share of 142.0 cents as at 31 December 2018. EPRA NAV per share increased by 19.8% for the year ended 31 December 2018 compared to 31 December 2017, as a result of property valuation increases and rental profit in the period, offset by dividends paid in March 2018 and September 2018.

## Market Update

Despite ongoing increases in housing output, the most striking feature of the Irish residential property market remains an undersupply of accommodation in certain high employment locations which is contributing to continued upward pressure on both prices and rents.

Ireland's GNP growth is leading the European Union, unemployment is falling and the overall population is growing. As labour market conditions continue to tighten, upward pressure is being applied on employee compensation, which should boost disposable incomes. Ireland's economy is expected to continue to grow in 2019, with consumer demand, trade and investment expected to increase going forward as consumer confidence remains solid. In addition, new housing starts are expected to remain well under forecasted requirements over the next number of years. As a result, we continue to see strengthening fundamentals in the residential rental business.

The latest Central Statistics Office ("CSO") data shows that 18,072 dwellings were built in Ireland in 2018, up 25% year over year. On the one hand, this would represent the highest volume of annual housing output for nine years. On the other hand, this level of activity is well adrift of even the low point of the range of estimates of new household formation (30,000 – 50,000 per annum).

Lead indicators suggest that housing output will continue to tick higher over the coming years. Planning permissions data show that 29,495 units were sanctioned in the 12 months to end-September 2018, up 62% year over year and the introduction in July 2017 of regulations permitting developers to submit applications for large (100+ units) housing developments directly to the State planning authority.

There are a number of constraints that are holding back housing output from rising to meet the flow of new demand. Labour is one of these. Total employment in the Irish construction sector, at 146,000 in Q4 2018, is 40% below the Q2 2007 peak. Another constraint is funding. Central Bank of Ireland data show that the stock of lending from high street banks for the investment and/or development of residential real estate has fallen by 89% since the end of 2010. Some of this lending vacuum is being met by non-traditional sources of finance, including the Irish REITs.

In terms of secondary supply, data from the country's leading property website, Daft.ie, show that only 3,216 properties (less than 0.2% of the national housing stock) were available to rent across Ireland at the start of February 2019, 72% below the long-term average. The same source had 23,538 properties listed for sale at the end of December 2018, 44% below the long-term average.

On the demand side, the Irish economy continues to perform strongly. Data from the Economic and Social Research Institute (ESRI) show that the economy expanded by 8.2% year over year in Gross Domestic Product ("GDP"). While the data can be distorted by factors pertaining to the multinational sector, a variety of other indicators confirm strong, broad-based growth. These include the aforementioned sharp increase in housing completions; a 3.6% year over year increase in the cash value of retail sales in Q4 2018; a 8.3% rise in tax revenues in 2018; and a 9.1% year over year increase in exports in the first nine months of 2018.

The economic strengthening has fed into improved conditions for Irish consumers. Total employment grew by 2.3% year over year in Q4 2018, with the economy adding c. 1,000 jobs a week. The total number of people at work in Ireland stands at a post-independence high of 2.3 million. The unemployment rate has fallen to a 10-and-a-half year low of 5.7%, with this tightening in labour market conditions putting upward pressure on wages. Average weekly earnings increased by just over 3% year over year in Q3 2018.

The latest population data show an acceleration in the rate of expansion in Ireland's headcount. The population was estimated at a post-independence high of 4.9 million in April 2018, representing growth of +1.3% year over year. This was the fastest rate of growth recorded in the past 10 years. Of the 64,500 increase in the population, a little over half (34,000) was attributed to net inward migration (also a 10 year high). Given the European Union ("EU")-leading economic growth rate and reasonably tight labour market conditions, we would expect net immigration to remain an important contributor to Irish population growth.

Despite the strong performance of the Irish economy to date, there are significant uncertainties regarding Brexit. The UK is due to leave the European Union on 29 March 2019, however, it is still too early to determine the impact on the Irish economy. As there is no clear indication on how the UK's exit of the European Union will proceed, we will continue to monitor the situation and assess how Brexit will affect I-RES.

All in all, with housing output still lagging far behind new household formation, there is likely to be continued upward pressure on both residential prices and rents.



## Strategy for the Year Ahead

The Irish residential rental market continues to exhibit strong market fundamentals: population growth, rapid growth of the Irish economy; influx of multinationals into Dublin; substantial demand for high-quality rental accommodation from highly-trained international workers; and a significant shortage of available housing. These circumstances create ideal conditions for the execution of I-RES' strategies in 2019.

### Growth Strategy

I-RES continues to deliver on the growth strategy which was outlined during 2018. Due to the finite supply of completed housing stock for rental in the Irish market and continued growing demand for rental accommodation, I-RES' strategy is to invest in supply through a combination of:

- Continued acquisition of completed assets at accretive yields
- Seeking planning permission for development and investment on all I-RES owned sites
- Investing in future supply through development partnerships with developers of PRS assets

Throughout 2018, I-RES made significant strides across all three areas of its strategy and will continue going forward.

### Partnerships with Local Developers and Builders

I-RES is pursuing mutually beneficial partnerships with local builders and developers. Leveraging its strong balance sheet, I-RES can secure financing at attractive rates in exchange for the option to acquire residential units in approved developments, enabling I-RES to deliver new homes at accretive yields. An example of this strategy is Hansfield Wood, Ongar, Dublin 15, a 1.8ha (4.5 acre) development site that was acquired in November 2017 to build 99 residential units. The project was successfully completed during 2018 with a gross yield of c.6.7%. In September 2018, I-RES acquired an additional 0.5 ha (1.3 acre) development site at Hansfield Wood, Dublin 15 and entered into a development agreement to develop 95 apartments.

### Development of Existing I-RES Properties



While continuing to pursue accretive acquisitions with development and intensification opportunities, I-RES is responding to the increased competition in the Irish residential market with development and intensification opportunities of an estimated 628 apartments on currently-owned sites. These apartments can be built at lower cost than market, partly because there is already partial infrastructure in place, such as partially completed basement parking and there are opportunities for infill and conversion on I-RES commercial properties.

### Focus on Commuter Markets



For developments and acquisitions, I-RES is interested in Dublin city and suburbs and main urban centres in Ireland. Going forward, I-RES is refining its asset base to emphasize developments and acquisitions in commuter markets outside of Central Dublin that meet three key criteria: 1) Strong local employment; 2) Good transportation connections; and 3) Family-friendly neighbourhoods with nearby schools.



## Principal risks and uncertainties



The directors of the Company set out below the principal risks and uncertainties that the Group is exposed to and that may impact performance in the coming financial year. The Group proactively identifies, assesses, monitors and manages these risks with the assistance of the Investment Manager and CAPREIT LP, as well as the combined expertise of its Board. The principal risks and uncertainties, along with their strategic impact on the business and mitigating factors, have been outlined. The Group has also provided its belief on how the risk has trended (remained stable, is increasing or is decreasing) from the year ended 31 December 2017.


Risk	<b>Growth Strategy-</b> Investment opportunities may become limited.	
<b>Strategic Impact</b>	The Group may not grow in number of apartments relative to the past if there is a lack of development and acquisition opportunities. Additionally, investment opportunities could be limited if they become overly costly or there is excess competition. If growth opportunities are limited, it will impact the Group's ability to generate growing returns for its shareholders.	<b>High</b> 
<b>Mitigation Strategy</b>	The Group has become a sought-after investor for new investment opportunities that arise in the market.  The Investment Manager has deep market knowledge and has established strong industry relationships, which provide for new growth opportunities.  The Group focuses on a three-pronged strategy for growth. This involves acquisitions, development opportunities within existing assets, and partnering with developers in relation to new development opportunities.	
<b>Risk Trending Since December 31, 2017</b>	Completed assets are in limited supply, and new supply is coming online more slowly than expected. Additionally, competition via new entrants and funds continues to increase, leading to continued capitalisation-rate compression and reduced opportunity for accretive acquisitions.  The Group has continued to maintain an active pipeline of acquisition and development opportunities, and continues to pursue opportunities to develop its existing assets.	<b>Stable</b> 


  


Risk	<b>Economy-</b> A general weakening of the Irish economy.	
<b>Strategic Impact</b>	Reduced economic activity could have a negative impact on asset values and net rental income, which could affect cash flows.	<b>Medium</b> 
<b>Mitigation Strategy</b>	The Group's focus is on Dublin, which has been more resilient economically than other areas of Ireland in the past.  On an ongoing basis, the Investment Manager monitors business performance and related economic factors and reports to the Board quarterly on the aforementioned.	
<b>Risk Trending Since December 31, 2017</b>	The Irish economy has experienced healthy growth over the last few years in terms of GDP increases and declines in the jobless rate. According to the Economic and Social Research Institute (ESRI) as of December 2018, Ireland's GDP is expected to grow by 9% in 2018, and 4.2% in 2019 with unemployment expected to decline to 5.1% in 2019. These forecasts for 2019 could be impacted by the outcome of Brexit negotiations.	<b>Stable</b> 


<b>Risk</b>	<b>Construction-</b> Increasing construction costs, cost overruns or delays in completion of development projects or defects in construction or non-compliance with building standards	
<b>Strategic Impact</b>	<p>The Group may not meet its performance targets if there are material costs in excess of estimates to build a property or if there are unanticipated delays in securing planning permissions or completion of construction, pushing back occupancy of the property and thus impacting the returns the Group can generate for shareholders. Increasing costs of construction could also impact returns or the Group's ability to take on construction projects.</p> <p>Furthermore, post construction, structural deficiencies or non-compliance with building code may be discovered which could also impact returns.</p>	<p><b>Medium</b></p> 
<b>Mitigation Strategy</b>	<p>In sourcing/reviewing potential development opportunities, the Investment Manager undertakes a detailed investment and viability analysis and ensures that the development opportunity meets the investment strategy, while building in timing and cost contingencies as needed. This analysis is presented to the Board for review and the Board must approve all development opportunities prior to commencement.</p> <p>The Investment Manager will typically recommend a tender process is completed for the main contractor and selection of a potential main contractor will be based on their proven ability and capacity to complete construction projects of a similar nature. The Investment Manager performs adequate due diligence on its main contractors before recommending their engagement to the Board. Additionally, the Investment Manager will make a recommendation in respect of the proposed form of contract and obtains performance bonds where possible. The Investment Manager will retain a technical team to closely monitor each project and the work of the main contractor to ensure the project is being completed to the required standard and is on schedule and within budget. The Investment Manager also engages a third party independent quantity surveyor to ensure the contractor billings are reasonable and in line with work performed and budgets.</p> <p>To protect against structural defects and non-compliances with building standards, the Investment Manager receives completion certificates and Opinions of Compliance (in respect of planning permissions and Building Regulations) from the main contractor and where necessary, engages third party professionals to inspect the building during and upon completion of construction. An Assigned Certifier has been approved across the main development projects for early engagement in order to minimize risk to statutory requirements. The Investment Manager will require a suite of collateral warranties from the design team and main contractor. Additionally, a structural defects liability period (typically 12 months) will be sought, during which time a cash retention will be held pending resolution in respect of any construction defects which have become apparent in the 12 months immediately post practical completion. The Group uses fixed rate contracts to remove cost inflation risk during the construction phase. As at 31 December 2018, the Group had two committed schemes, totaling 164 residential units.</p>	
<b>Risk Trending Since December 31, 2017</b>	The main contracting firms have been active in the office and hotels sectors in particular and continue to seek projects in the residential sector by way of diversification. While many contracting firms have been expanding their teams to accommodate increasing activity in the sector there remains pressure in the availability of construction labour and consultants. Additionally, there continues to be upward pressure on construction costs.	<p><b>Increasing</b></p> 


<b>Risk</b>	<b>Political-</b> Material changes to the political environment in areas significantly impacting the Group's operations	
<b>Strategic Impact</b>	<p>On 23 June 2016, the UK voted to leave the European Union (EU). This Withdrawal is scheduled to occur on 29 March 2019 however, the UK Parliament has recently voted against the draft agreement on the Withdrawal of the United Kingdom from the European Union (the "agreement"). As a result, this has created a significant amount of uncertainty around the withdrawal. It is anticipated that the withdrawal will have a negative impact on the Irish economy due to the UK being one of Ireland's largest trading partners and this will be more significant in the event of a withdrawal with no agreement in place. The withdrawal is also likely to impact immigration, foreign investment, economic and fiscal policy, and regulatory practices.</p> <p>In terms of the impact on the Group, the UK's departure could potentially drive population growth in Ireland, for example through corporate relocations. This would have an impact on housing demand, which would be beneficial to the Group. However, depending on trade and supply chain impacts, the withdrawal could drive the costs of inputs, such as building materials and equipment, which could impact the Group's development plans, as well as, maintenance activities for existing assets.</p> <p>The state of flux surrounding the withdrawal negotiations also gives rise to uncertainty around regulations which may have an immediate impact on the Group. Ultimately, there is a significant amount of uncertainty around the withdrawal and timelines surrounding the economic and social impacts.</p>	<p>Medium</p> 
<b>Mitigation Strategy</b>	The Investment Manager and the Board are continuing to consider the impact on the Group's business and will monitor, evaluate and adapt to developments as they arise.	
<b>Risk Trending Since December 31, 2017</b>	As the withdrawal date approaches, without an exit agreement in place between the UK and the EU, uncertainty around the Withdrawal's impact on trade relations between Ireland and the UK, and Ireland's economy, continues to increase.	<p>Increasing</p> 


<b>Risk</b>	<b>Concentration Risk-</b> The Dublin market experiences material circumstances that results in lower occupancy or demand for rental properties.	
<b>Strategic Impact</b>	A lack of geographical or asset diversification could lead to a material financial impact to the Group in the event of a decrease in occupancy or lower rents.	<p>Medium</p> 
<b>Mitigation Strategy</b>	<p>Dublin has been more resilient, economically, than other areas of Ireland in the past. While the existing portfolio is diversified across various districts within Dublin, the Company continues to look at opportunities outside of Dublin.</p> <p>The Investment Manager monitors supply and demand for rental apartments in operating areas where the Group's investment properties are located.</p> <p>Additionally, the Investment Manager monitors and reports on certain key metrics around investment performance and risk, as well as compliance with the Group's stated investment policy, on a quarterly basis to the Board.</p>	



<b>Risk Trending Since December 31, 2017</b>	<p>Real estate fundamentals in Dublin continue to be strong as a result of the economy and population growth.</p> <p>The level of concentration is within the Group's risk appetite given the accretive opportunities still presented by being focused on the Dublin market.</p>	<p><b>Stable</b></p> 
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<b>Risk</b>	<p><b>Investment Manager Performance-</b> A material decline in the Investment Manager's performance, or it is unable to carry out its duties under the Investment Management Agreement, or the Investment Manager serves notice to terminate its services in accordance with the terms of the Investment Management Agreement (See page 18). In particular, after 1 November 2019 the Investment Manager is able to serve 12 months' notice to terminate their services.</p>	
<b>Strategic Impact</b>	<p>The Investment Manager, through its asset management and property management functions, plays an integral part in the day-to-day operations and management of the Group's assets. As a result, a significant decline in its performance or an inability to carry out its mandate or if it chooses to serve notice to terminate its services could lead to a decline in the Group's financial and operating performance, including decreases in net asset values and net rental income impacting cash available for dividends and reinvestment into the business.</p> <p>The Investment Manager must comply with certain regulations including the Property Services (Regulation) Act and the Alternative Investment Fund Management Directive (AIFMD) of the European Union. Failure to do so, could result in it losing its ability to provide property management and/or asset management services under the Investment Management Agreement to the Group.</p> <p>Additionally, if the Group had to select another investment manager, there would be significant interruptions to day-to-day operations given the Group's reliance on the Investment Manager's personnel, processes, and IT systems.</p>	<p><b>Medium</b></p> 
<b>Mitigation Strategy</b>	<p>The Investment Manager is made up of a well-regarded multi-disciplinary team of qualified property and finance professionals experienced in the selection, financing and management of property investments.</p> <p>The Board oversees and evaluates the work of the Investment Manager including monitoring key performance indicators such as occupancy, rental revenues, net rental income, collectability of rents and net asset values. Additionally, the Board periodically reviews actual revenues and expenditures against budgets. The Board also has a close working relationship with the Investment Manager.</p> <p>Key personnel of the Investment Manager and its parent company, CAPREIT LP, are financially incentivised through the Group's long-term incentive plan.</p> <p>The Investment Manager's compliance and financial professionals spend a considerable amount of time ensuring compliance with the AIFMD requirements, as well as monitoring AIFMD regulations for any changes that impact compliance processes. The Investment Manager's policies and procedures are reviewed regularly to incorporate any changes in legislation or procedure.</p> <p>Additionally, the Investment Manager has engaged third party advisors and firms to assist it in complying with the AIFMD and carrying out associated functions, as well as, making required filings to the Central Bank.</p> <p>The Investment Manager regularly reports on its compliance activities relating to AIFMD to the Board of the Company, and the Board of the Investment Manager oversees compliance with the AIFMD to ensure that the Investment Manager meets its regulatory obligations at all times.</p>	


	<p>The Company continues to be satisfied with the performance of the Investment Manager and will engage proactively with IRES Fund Management in relation to any proposed changes to the Investment Management Agreement. The Investment Management Agreement provides that, after 1 November 2019, IRES Fund Management may serve 12 months' notice of its intention to terminate the Agreement and, if requested by the Company, the Investment Manager will provide transition services for a period of three (3) months at the Company's cost.</p>	
<b>Risk Trending Since December 31, 2017</b>	<p>The Investment Manager has continued to have strong performance as evidenced by the returns being generated on the Group's assets and ability to manage day-to-day operational matters. The Group does not anticipate any material changes in the Investment Manager's ability to continue this performance or its ability to comply with AIFMD regulations.</p>	<p>Stable</p> 



<b>Risk</b>	<b>Regulation and Legislation-</b> The government may introduce further restrictive changes to the rent legislation.	
<b>Strategic Impact</b>	<p>In December 2016 the government passed legislation, which amongst other things, limits annual rent increases to 4% in "rent pressure zones", which includes Dublin and impacts substantially all of the Group's investment properties. Residential rental markets continue to be a key topic of interest in Ireland, given the current lack of supply in the housing market and the resulting impact on rents. As such, there is uncertainty as to whether additional changes to rental regulations will be enacted and if so, the magnitude of the impact of these changes.</p> <p>Additionally, as legislation changes, the Investment Manager may have to incur incremental costs to comply, such as staff training, modification of procedures and technology systems, and consultations with professional advisors.</p>	<p>Medium</p> 
<b>Mitigation Strategy</b>	<p>The rent legislation, including the 4% limitation on annual rent increases, has been reflected in the Group's expectations of financial performance and growth in 2018 and future years. The Group and its Investment Manager also employ an effective expense management strategy, keeping in mind the limitation on revenue growth imposed by the legislation. Additionally, occupancy throughout the portfolio remains close to 100%.</p> <p>The Investment Manager's due diligence process for acquisitions also factors in the impact of the 4% limitation on annual rent increases. As well, there is a continued focus on development and intensification opportunities (the legislation with respect to the 4% limitation on annual rent increases does not apply to the initial letting of new developments).</p> <p>If any new legislation is enacted, relevant staff will receive training and education in order to continue compliance with the rent legislation.</p> <p>The Group will continue to monitor for and evaluate any further changes in the legislation, and their impact on the growth strategy.</p>	

<p><b>Risk Trending Since December 31, 2017</b></p>	<p>Recently, in December 2018 a bill was introduced which proposes to amend the existing rent legislation. Amongst other things, it provides the Residential Tenancy Board with broader investigation powers and additional sanctions for non-compliance.</p> <p>Pursuant to amendments to the rent legislation introduced in December 2016, the Dublin local authority areas were designated rent pressure zones (and subject to a 4% cap on annual rent increases) for a period of three years expiring in December 2019. It is uncertain whether the Dublin local authority areas will continue to be designated as rent pressure zones post-December 2019 or if new legislation may be introduced.</p>	<p><b>Increasing</b></p> 
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Risk	Access to Capital- The ability to access capital becomes limited.	
Strategic Impact	If the Group is unable to source debt financing at attractive rates or raise equity, it may not be able to meet its growth objectives through acquisitions and development or preserve its existing assets through maintenance or capital expenditures.	<p><b>Medium</b></p> 
Mitigation Strategy	<p>The Investment Manager and the CEO have developed relationships with lenders, both in Ireland and abroad, which provide ongoing financing possibilities.</p> <p>The quality of the Group's property portfolio and the conservative gearing target of 45% on total assets (particularly apartments) are attractive credit characteristics for potential lenders, which to date have facilitated the raising of debt financing. The Group currently has a revolving and accordion credit facility of up to €350 million.</p> <p>The Group invests in properties that generate a strong rate of return for its investors and, in turn, increases the attractiveness of its shares and dividends. As such, the Group believes it can raise additional capital if required but only after considering existing shareholders' interests.</p> <p>The Group actively manages its liquidity needs and monitors capital availability.</p>	
Risk Trending Since December 31, 2017	<p>At 31 December 2018 the Group had drawn on its credit facility in the amount of €309 million. The Group continues to monitor liquidity needs to ensure that future capital requirements are anticipated and met within the limits of its leverage targets.</p> <p>Based on its financial position and performance, as well as its relationships with lenders and current and potential investors, the Group does not believe that its ability to obtain debt financing or raise equity has changed from last year.</p>	<p><b>Stable</b></p> 



Risk	Planning- Delays in achieving viable grants of planning permission in respect of the Group's development sites leading to delays in commencement and delivery of residential units.	
Strategic Impact	<p>Planning permission is required from the relevant planning authority prior to the development of the Group's development sites.</p> <p>Delay in achieving planning permission may result in a slower level of portfolio growth and income generation from the development assets.</p>	<p><b>Medium</b></p> 
Mitigation Strategy	The Investment Manager appoints competent professional teams in respect of each development opportunity (including architectural and planning consultants) to advise on the preparation of planning applications. Additionally, a Development Manager has been appointed in order to actively manage the process on behalf of the Group, and the appointed	



	project management team produces and continuously reviews project specific risk matrices for each project stage. While the Investment Manager seeks to mitigate planning risk, delays in obtaining viable grants of planning permission remain a risk to progressing to build out the Group's development assets.	
<b>Risk Trending Since December 31, 2017</b>	<p>Given the nature of the planning process there is no certainty in relation to the outcome of a planning application until the final Planning Authority decision has been made and the appeal period has expired.</p> <p>Additionally, increases in Requests for Further Information (RFIs) during the planning process are becoming standard throughout the industry thereby further impacting planning application timelines.</p> <p>The Group however, has made positive progress on a number of planning applications during the course of 2018.</p> <p>The Strategic Housing Development planning application process allows for greater consultation with authorities prior to submission of planning applications. This process relates to residential developments of over 100 units.</p>	<p><b>Stable</b></p> 

<b>Risk</b>	<b>Acquisition Risk-</b> Investment decisions may be made without consideration of all risks and conditions.	
<b>Strategic Impact</b>	Investment assets may decrease in value or result in material unanticipated expenditures subsequent to acquisition as a result of unknown risks and conditions at the time of purchase, including structural deficiencies or non-compliances with building code.	<p><b>Medium</b></p> 
<b>Mitigation Strategy</b>	<p>The Investment Manager carries out due diligence on every investment opportunity (both acquisitions and development projects) to determine its fit with the Group's stated investment policy. This includes all standard investigations, which are reasonable and practical under the circumstances, to evaluate the building structure and condition, compliance with planning and building regulations, and the likely magnitude of capital expenditures over a 3 to 5 year period. This involves the appointment of third party experts to carry out technical and engineering studies and investigations.</p> <p>Post-acquisition, the Investment Manager, through prudent operating practices, monitors and manages any property related issues, including building deficiencies, as they arise.</p> <p>Where structural defect insurance policies are still in force, they transfer to the Group upon change of title.</p> <p>Whenever possible, the Group seeks to have collateral warranties assigned at the time of acquisition.</p>	
<b>Risk Trending Since December 31, 2017</b>	The Investment Manager's due diligence practices have not changed substantially since last year as they continue to be consistent with industry norms and align with the Group's risk appetite.	<p><b>Stable</b></p> 
<b>Risk</b>	<b>Cybersecurity and Data Protection-</b> Failure to comply with data protection legislation or being subject to a cybersecurity attack	



<b>Strategic Impact</b>	Failing to comply with data protection legislation and practices could lead to unauthorized access and fraudulent activities surrounding personal data, particularly that belonging to the Group's tenants. This could result in direct losses to stakeholders, penalties to the Group and/or the Investment Manager for non-compliance, potential liability to third parties and reputational damage to the Group.	<b>Medium</b> 
<b>Mitigation Strategy</b>	<p>The Investment Manager is responsible for data privacy and protection on behalf of itself and the Group and remains adaptable to constant technological and legislative change. Employees receive periodic awareness training on cybersecurity and data protection.</p> <p>Access to personal data is controlled through physical measures (e.g. locked offices and storage locations, alarm monitoring, cameras), administrative measures (e.g. data minimisation, data retention policies, data destruction practices, and audits) and IT security measures (e.g. password protection, firewalls, antivirus, intrusion detection and encryption).</p> <p>The Investment Manager maintains cybersecurity insurance coverage on behalf of itself and the Group and continues to monitor and assess risks surrounding collection, processing, storage, disclosure, transfer, protection, and retention/destruction practices for personal data.</p>	
<b>Risk Trending Since December 31, 2017</b>	As technological change has occurred at a rapid pace, the inherent risks surrounding cybersecurity and data protection have also evolved and continue to evolve at an equally rapid pace. European Union Data Protection legislation (e.g. General Data Protection Regulation and ePrivacy) is increasing in prescriptiveness, obligation and administration. Additionally, issues such as cross border data transfers and vendor risk complexities, continue to pose challenges.	<b>Increasing</b> 

<b>Risk</b>	<p><b>Cost of Capital-</b> Interest rates increase, resulting in higher debt service costs and restrictiveness of future leveraging opportunities.</p> <p>Investors' expected rate of return increases, resulting in pressure to increase dividend yields.</p>	
<b>Strategic Impact</b>	<p>The Group is exposed to risks associated with movements in interest rates on its floating rate bank debt.</p> <p>Significant Increases in interest rates, and the cost of equity, could, affect the Group's cash flow and its ability to meet growth objectives or preserve the value of its existing assets.</p>	<b>Low</b> 
<b>Mitigation Strategy</b>	<p>The Group has a target loan to value ratio of 45%, which is in line with its debt covenant limits. The target loan to value ratio ensures that the group does not become too highly geared, which would result in high interest costs and covenant breaches, or in being under geared, which would result in lost opportunity for higher returns.</p> <p>The Group has a proven track record of strong and accretive results. Strong results, combined with being in a residential industry that is experiencing healthy demand, helps manage shareholders' expectations and thus, the cost of equity.</p> <p>Hedging instruments are used to limit the Groups interest rate exposure and the Group has hedged 58% of its interest rate exposure on its revolving credit facility. Regarding the floating rate on the remainder of the revolving credit facility, the Investment Manager consults on a regular basis with its external lenders regarding interest rate exposure and whether hedging should be put in place, which is subject to Board approval.</p>	
<b>Risk Trending Since December 31, 2017</b>	The European Central Bank is not expected to significantly increase interest rates over the short to medium term given the current and anticipated levels of uncertain economic indicators in the Eurozone. As such, the Group does not anticipate a material increase in debt financing costs.	<b>Stable</b> 

<b>Risk</b>	<b>Tax Compliance Risk-</b> Failure to comply with REIT rules	
<b>Strategic Impact</b>	If the Group fails to comply with REIT rules it could result in the loss of REIT status and change the tax treatment of the Group's income and thus, decrease the attractiveness of the Company as an investment to current or potential shareholders.	Low 
<b>Mitigation Strategy</b>	<p>The Investment Manager proactively monitors and tests the Group's compliance with the rules and regulations affecting REIT status and regularly reviews and considers how the Group's planned operations may impact compliance with these rules. The results of these compliance reviews are reported to the Board on a quarterly basis, at a minimum.</p> <p>The Investment Manager also engages independent tax and legal advisors in relation to compliance monitoring, where needed. Its dedicated risk and compliance personnel are alert and vigilant regarding these matters and any impending or emerging changes in REIT rules and regulations.</p>	
<b>Risk Trending Since December 31, 2017</b>	The Group does not believe the risk of non-compliance has changed from last year and the Investment Manager has not changed their monitoring and testing processes in a way that could result in a change in the risk.	Stable 

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

		(Unaudited) 31 December 2018 €'000	(Audited) 31 December 2017 €'000
	Note		
<b>Assets</b>			
<b>Non-Current Assets</b>			
Investment properties	5	921,316	750,935
Other non-current assets	6	6	13
		<b>921,322</b>	<b>750,948</b>
<b>Current Assets</b>			
Other current assets	6	12,633	5,238
Cash and cash equivalents		7,626	6,792
		<b>20,259</b>	<b>12,030</b>
<b>Total Assets</b>		<b>941,581</b>	<b>762,978</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Bank indebtedness	8	307,494	245,370
Derivative financial instruments	12	913	249
		<b>308,407</b>	<b>245,619</b>
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	7	9,156	9,379
Security deposits	7	5,294	3,996
		<b>14,450</b>	<b>13,375</b>
<b>Total Liabilities</b>		<b>322,857</b>	<b>258,994</b>
<b>Shareholders' Equity</b>			
Share capital	10	43,414	42,027
Share premium	10	370,855	354,978
Other reserve		988	2,135
Retained earnings		203,467	104,844
<b>Total Shareholders' Equity</b>		<b>618,724</b>	<b>503,984</b>
<b>Total Shareholders' Equity and Liabilities</b>		<b>941,581</b>	<b>762,978</b>
IFRS NAV per share	21	142.5	120.8
EPRA NAV per share	21	142.0	118.5
The accompanying notes form an integral part of this financial information			

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

		(Unaudited)	(Audited)
		31 December 2018	31 December 2017
	Note	€'000	€'000
<b>Operating Revenues</b>			
Revenue from investment properties	11	50,608	44,693
<b>Operating Expenses</b>			
Property taxes		(536)	(557)
Property operating costs		(8,914)	(7,865)
		(9,450)	(8,422)
<b>Net Rental Income ("NRI")</b>		<b>41,158</b>	<b>36,271</b>
General and administrative expenses		(3,258)	(3,209)
Asset management fee	17	(3,178)	(2,770)
Share-based compensation expense	9	(228)	(190)
Net movement in fair value of investment properties	5	92,664	40,450
(Loss) on derivative financial instruments	12	(659)	(241)
Depreciation of property, plant and equipment		(8)	(9)
Financing costs on credit facility	16	(6,706)	(5,223)
<b>Profit for the Period</b>		<b>119,785</b>	<b>65,079</b>
<b>Total Comprehensive Income for the Period</b>			
Attributable to Shareholders		119,785	65,079
<b>Basic Earnings per Share (cents)</b>	20	<b>28.0</b>	15.6
<b>Diluted Earnings per Share (cents)</b>	20	<b>27.8</b>	15.4

The accompanying notes form an integral part of this financial information

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

		Share Capital	Share Premium	Retained Earnings	Other Reserve	Total
(Unaudited)	Note	€'000	€'000	€'000	€'000	€'000
<b>Shareholders' Equity at 1 January 2018</b>		<b>42,027</b>	<b>354,978</b>	<b>104,844</b>	<b>2,135</b>	<b>503,984</b>
<b>Total comprehensive income for the period</b>						
Profit for the period		-	-	119,785	-	119,785
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>119,785</b>	<b>-</b>	<b>119,785</b>
<b>Transactions with owners, recognised directly in equity</b>						
Long-term incentive plan	9	-	-	-	228	228
Share Premium allocation		(298)	298			-
Share issuance	10	1,685	15,579	1,375	(1,375)	17,264
Dividends paid	15	-	-	(22,537)	-	(22,537)
<b>Transactions with owners, recognised directly in equity</b>		<b>1,387</b>	<b>15,877</b>	<b>(21,162)</b>	<b>(1,147)</b>	<b>(5,045)</b>
<b>Shareholders' Equity at 31 December 2018</b>		<b>43,414</b>	<b>370,855</b>	<b>203,467</b>	<b>988</b>	<b>618,724</b>

	Note	Share Capital	Share Premium	Retained Earnings	Other Reserve	Total
(Audited)		€'000	€'000	€'000	€'000	€'000
<b>Shareholders' Equity at 1 January 2017</b>		<b>42,027</b>	<b>354,978</b>	<b>70,645</b>	<b>1,945</b>	<b>469,595</b>
<b>Total comprehensive income for the period</b>						
Profit for the period		-	-	65,079	-	65,079
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>65,079</b>	<b>-</b>	<b>65,079</b>
<b>Transactions with owners, recognised directly in equity</b>						
Long-term incentive plan	9	-	-	-	190	190
Dividends paid	15	-	-	(30,880)	-	(30,880)
<b>Transactions with owners, recognised directly in equity</b>		<b>-</b>	<b>-</b>	<b>(30,880)</b>	<b>190</b>	<b>(30,690)</b>
<b>Shareholders' Equity at 31 December 2017</b>		<b>42,027</b>	<b>354,978</b>	<b>104,844</b>	<b>2,135</b>	<b>503,984</b>

The accompanying notes form an integral part of this financial information

## CONSOLIDATED STATEMENT OF CASH FLOWS

		(Unaudited) 31 December 2018 €'000	(Audited) 31 December 2017 €'000
<b>For the year ended 31 December 2018</b>	Note		
<b>Cash Flows from Operating Activities:</b>			
<b>Operating Activities</b>			
Profit before taxes		119,785	65,079
Adjustments for non-cash items:			
Fair value adjustment - investment properties	5	(92,664)	(40,450)
Depreciation of property, plant and equipment		8	9
Amortisation of other financing costs		835	622
Share-based compensation expense	9	228	190
Loss on derivative financial instruments	12	659	241
Straight-line rent adjustment		(22)	31
Interest accrual relating to derivatives		5	-
		28,834	25,722
Interest cost on credit facility		6,089	4,601
Changes in operating assets and liabilities	16	(6,321)	(1,017)
<b>Net Cash Generated from Operating Activities</b>		<b>28,602</b>	<b>29,306</b>
<b>Cash Flows from Investing Activities</b>			
Acquisition of investment properties	5	(41,361)	(7,339)
Development of investment properties	5	(31,129)	(13,095)
Investment property enhancement expenditure	5	(4,987)	(4,965)
Direct leasing cost	5	(218)	(37)
<b>Net Cash Used in Investing Activities</b>		<b>(77,695)</b>	<b>(25,436)</b>
<b>Cash Flows from Financing Activities</b>			
Financing fees on credit facility	16	(20)	(1,224)
Interest paid on loan drawn down	16	(6,089)	(4,601)
Credit Facility drawdown	16	78,309	33,823
Credit Facility repayment	16	(17,000)	(73)
Proceeds on issuance of shares	16	17,264	-
Dividends paid to shareholders	15	(22,537)	(30,880)
<b>Net Cash Generated/(Used) from Financing Activities</b>		<b>49,927</b>	<b>(2,955)</b>
<b>Changes in Cash and Cash Equivalents during the Period</b>		<b>834</b>	<b>915</b>
<b>Cash and Cash Equivalents, Beginning of the Period</b>		<b>6,792</b>	<b>5,877</b>
<b>Cash and Cash Equivalents, End of the Period</b>		<b>7,626</b>	<b>6,792</b>

The accompanying notes form an integral part of this financial information

# Notes to Consolidated Financial Statements

## 1. General Information

Irish Residential Properties REIT plc ("I-RES" or the "Company") was incorporated in Ireland on 2 July 2013 as Shoreglade Limited (formerly known as CAPREIT Ireland Limited, Irish Residential Apartments REIT Limited and Irish Residential Properties REIT Limited). On 16 April 2014, I-RES obtained admission of its ordinary shares to the primary listing segment of the Official List of Euronext Dublin for trading on the regulated market for listed securities of Euronext Dublin. Its registered office is Unit 4B Lazer Lane, Grand Canal Square, Dublin 2, Ireland. Ordinary shares of I-RES are listed on the Main Securities Market of Euronext Dublin under the symbol "IRES".

I-RES was previously a wholly-owned subsidiary of CAPREIT Limited Partnership ("CAPREIT LP"). As at 1 January 2018, CAPREIT LP's interest in I-RES was diluted to 15.7%. In 2018, CAPREIT LP acquired an additional 12,510,000 shares, raising CAPREIT LP's interest in I-RES to 18%.

IRES Residential Properties Limited is a wholly-owned consolidated subsidiary of I-RES, acquired on 31 March 2015, and owns directly the beneficial interest of its properties. I-RES and IRES Residential Properties Limited together are referred to as the "Group" in this financial information. The Group owns interests in residential rental accommodations, as well as commercial and development sites, located in and near major urban centres in Dublin, Ireland. Specifically, IRES Residential Properties Limited owns an interest in the "Rockbrook Portfolio", which consists of 81 apartments at Rockbrook Grande Central and 189 apartments at Rockbrook South Central, mixed-use commercial space of approximately 4,665 sq. m., a development site of approximately 1.13 hectares and associated basement car parking.

## 2. Significant Accounting Policies

### a) Basis of preparation

This financial information has been derived from the information to be used to prepare the Group's consolidated financial statements for the year ended 31 December 2018 in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"), IFRS Interpretations Committee ("IFRIC") interpretations and those parts of the Companies Act 2014 applicable to companies reporting under IFRS. The financial information for the years ended 31 December 2018 and 31 December 2017 has been prepared under the historical cost convention, as modified by the revaluation of investment properties, derivative financial instruments at fair value and share options at grant date through the profit or loss in the consolidated statement of profit or loss and other comprehensive income.

The financial information presented herein does not amount to statutory financial statements that are required by Section 347 of the Companies Act 2014 to be annexed to the annual return of the Group. The financial information does not include all the information and disclosures required in the annual financial statements. The purpose of this financial information is for the provision of information to shareholders. The statutory financial statements for the year ended 31 December 2017 have been attached to the annual return of the Company and filed with the Registrar of Companies. The audit report on those statutory financial statements was unqualified and did not contain any matters to which attention was drawn by way of emphasis. The statutory financial statements for the year ended 31 December 2018 will be annexed to the next annual return of the Group and filed with the Registrar of Companies.

This announcement has been prepared on the basis of the results and financial position that the directors expect will be reflected in the audited statutory accounts when these are completed. The preliminary announcement has been approved by the Board of Directors. It is expected that the annual report and statutory consolidated financial statement for the year ended 31 December 2018 will be approved by the Directors and reported on by the auditors on 20 March 2019.

### b) Basis of consolidation

This consolidated financial information incorporates the financial information of I-RES and its subsidiary, IRES Residential Properties Limited. I-RES controls IRES Residential Properties Limited by virtue of its 100% shareholding in that company. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Subsidiaries

# Notes to Consolidated Financial Statements

Subsidiaries are entities controlled by I-RES. I-RES 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 these returns through its power over the entity. The financial information of subsidiaries (except owner management companies) is included in the consolidated financial information from the date on which control commences until the date on which control ceases. I-RES does not consolidate owner management companies in which it holds majority voting rights. For further details, please refer to note 17.

## c) Investment properties and investment properties under development

### Investment properties

The Group considers its income properties to be investment properties under IAS 40, Investment Property (“IAS 40”), and has chosen the fair value model to account for its investment properties in the consolidated financial information. Under IFRS 13, Fair Value Measurement (“IFRS 13”), this IFRS defines fair value 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.

Investment properties are treated as acquired at the time when the Group assumes the significant risks and returns of ownership, which normally occurs when the conveyancing contract has been performed by both buyer and seller and the contract has been deemed to have become unconditional and completed. Investment properties are deemed to have been acquired when the buyer has assumed the control of ownership and the contract has been completed.

Investment properties comprise investment interests held in land and buildings (including integral equipment) held for the purpose of producing rental income, capital appreciation or both, but not for sale in the ordinary course of business.

All investment properties are initially recorded at cost, which includes transaction and other acquisition costs, at their respective acquisition dates, and are subsequently stated at fair value at each reporting date, with any gain or loss arising from a change in fair value recognised in the profit or loss in the consolidated statement of profit or loss and other comprehensive income for the period. Gains and losses incurred on the disposal of investment properties are also recognised in the profit or loss in the consolidated statement of profit or loss and other comprehensive income.

The fair value of investment properties is determined by a qualified independent valuer at each reporting date, in accordance with the Royal Institution of Chartered Surveyors Valuation Standards (RICS) and IFRS 13. The independent valuer holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. At each reporting date, management undertakes a review of its investment property valuations to assess the continuing validity of the underlying assumptions, such as future income streams and Capitalisation Rates used in the independent valuation report, as well as property valuation movements when compared to the prior year valuation report, and holds discussions with the independent valuer.

### Investment properties under development

Investment properties under development include those properties, or components thereof, that will undergo activities that will take a substantial period of time to prepare the properties for their intended use as income properties.

The cost of a development property that is an asset acquisition comprises the amount of cash, or the fair value of other consideration, paid to acquire the property, including transaction costs. Subsequent to the acquisition, the cost of a development property includes costs that are directly attributable to these assets, including development costs, and borrowing costs. These costs are capitalised when the activities necessary to prepare an asset for development or redevelopment begin, and continue until the date that construction is substantially complete and all necessary occupancy and related permits have been received, whether or not the space is leased.

Interest capitalised is calculated using the Company’s weighted average cost of borrowing.

Properties under development are also adjusted to fair value by a qualified independent valuer at each reporting date with fair value adjustments recognised in the profit or loss in the consolidated statement of profit or loss and other comprehensive income. In the case of investment property under development, the approach applied is the “residual



# Notes to Consolidated Financial Statements

method” of valuation, with a deduction for the costs necessary to complete the development together with an allowance for the remaining risk.

## Development land

Development land is also adjusted to fair value by a qualified independent valuer at each reporting date with fair value adjustments recognised in the profit or loss in the consolidated statement of profit or loss and other comprehensive income. In the case of development land, the approach applied is the comparable sales approach, which considers recent sales activity for similar land parcels in the same or similar markets. Land values are estimated using either a per acre or per buildable square foot basis based on highest and best use. Such values are applied to the Group's properties after adjusting for factors specific to the site, including its location, highest and best use, zoning, servicing and configuration.

## Key estimations of inherent uncertainty in investment property valuations

The fair values derived are based on anticipated market values for the properties, being the estimated amount that would be received from a sale of the assets in an orderly transaction between market participants. The valuation of the Group's investment property portfolio is inherently subjective as it requires, among other factors, assumptions to be made regarding the ability of existing tenants to meet their rental obligations over the entire life of their leases, the estimation of the expected rental income in the future, an assessment of a property's ability to remain an attractive technical configuration to existing and prospective tenants in a changing market and a judgement to be reached on the attractiveness of a building, its location and the surrounding environment. While these and other similar matters are market standard considerations in determining the fair value of a property in accordance with the RICS methodology, they are all subjective assessments of future outturns and macroeconomic factors which are outside of the Group's control or influence and therefore may prove to be inaccurate long-term forecasts. As a result of all these factors, the ultimate valuation the Group places on its investment properties is subject to some uncertainty, and may not turn out to be accurate, particularly in times of macroeconomic volatility. The RICS property valuation methodology is considered by the Board to be the valuation technique most suited to the measurement of the fair value of property investments. It is also the primary measurement of fair value that all major and reputable property market participants use when valuing a property investment. See note 5 for a detailed discussion of the significant assumptions, estimates and valuation methods used.

### d) **Property asset acquisition**

At the time of acquisition of a property or a portfolio of investment properties, the Group evaluates whether the acquisition is a business combination or asset acquisition. IFRS 3, Business Combinations is applicable only if it is considered that a business has been acquired. A business, under IFRS 3, is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors, or to lower costs or provide other economic benefits directly and proportionately to investors.

When determining whether the acquisition of an investment property or a portfolio of investment properties is a business combination or an asset acquisition, the Group applies judgement when determining whether an integrated set of activities is acquired in addition to the property or portfolio of properties. Activities can include whether employees were assumed in the acquisition and whether an operating platform has been acquired.

When an acquisition does not represent a business as defined under IFRS 3, the Group classifies these properties, or portfolio of properties, as an asset acquisition. Identifiable assets acquired and liabilities assumed in an asset acquisition are measured initially at their fair values at the acquisition date. Acquisition-related transaction costs are capitalised to the property.

### e) **Property, plant and equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation, and mainly comprise of head office fixtures and fittings and information technology hardware. These items are depreciated on a straight-line basis over their estimated useful lives ranging from three to five years.

# Notes to Consolidated Financial Statements

## f) IFRS 9, Financial Instruments (“IFRS 9”)

### Transitional methodology

The revised IFRS 9 incorporates requirements for the classification and measurement of financial liabilities over the existing derecognition requirements of IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 also introduces new requirements for classifying and measuring financial assets; specifically investments in equity instruments can be designated as “fair value through other comprehensive income” with only dividends being recognized in profit or loss. The final amendment of IFRS 9 included: (i) a third measurement category for financial assets- fair value through other comprehensive income; (ii) a single, forward-looking “expected loss” impairment model; and (iii) a mandatory effective date for IFRS 9 for annual periods beginning on or after 1 January 2018. During 2017, I-RES performed an assessment of key areas within the scope of IFRS 9 which includes, but not limited to, additional disclosures required by IFRS 7, “Financial Instruments- Disclosure” upon initial adoption of IFRS 9. I-RES has adopted the new standards on the required effective date of January 1, 2018 and has not restated comparative information.

### Financial instruments – Policy applicable after 1 January 2018

#### Financial assets and financial liabilities

Under IFRS 9, Financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for 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 I-RES’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 summarizes the classification and measurement I-RES has elected to apply to each of its significant categories of financial instruments:

Type	Classification	Measurement
<b>Financial assets</b>		
Cash and cash equivalents	Loans and receivables	Amortised cost
Other receivables	Loans and receivables	Amortised cost
<b>Financial liabilities</b>		
Bank indebtedness	Other liabilities	Amortised cost
Accounts payable and accrued liabilities	Other liabilities	Amortised cost
Security deposits	Other liabilities	Amortised cost
Derivative financial instruments	FVTPL	Fair value through profit or loss

#### 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.

#### Loans and other receivables

Such receivables arise when I-RES provides services to a third party, such as a tenant, and are included in current assets, except for those with maturities more than 12 months after the consolidated balance sheet date, which are classified as non-current assets. Loans and other receivables are included in other assets on the consolidated balance sheets and are accounted for at amortized cost.

#### Other liabilities

Such financial liabilities are recorded at amortized cost and include all liabilities other than derivatives, which are designated to be accounted for at fair value.

#### FVTPL

Financial instruments in this category are recognized initially and subsequently at fair value. Gains and losses arising from changes in fair value are presented within net income in the consolidated statements of income and comprehensive income in the period in which they arise. Financial assets and liabilities at FVTPL are classified as current, except for the

# Notes to Consolidated Financial Statements

portion expected to be realized or paid more than 12 months after the consolidated balance sheet date, which is classified as non-current. Derivatives are also categorized as FVTPL unless designated as hedges.

## **Transition impact**

### **Hedging**

IFRS 9 introduces a new hedge accounting model. Under the new model, it is possible that more risk management strategies, particularly those involving hedging a risk component (other than foreign currency risk) of a non-financial item, will be likely to qualify for hedge accounting. There is no impact from adoption of this new accounting standard.

I-RES utilizes derivative financial instruments to hedge interest rate exposure. However, I-RES does not designate cash flow derivatives as hedges for accounting purposes. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The fair value change in the derivative is recognised before the operating profit in the consolidated statement of profit or loss and other comprehensive income.

### **Impairment of Financial Assets**

Under IFRS 9, there is a new expected credit loss ("ECL") model resulting in the requirement to revise impairment methodology for account receivables for I-RES. Upon assessment, I-RES has determined that the ECL model did not have a material impact on I-RES account receivables.

## **Financial instruments – Policy applicable before 1 January 2018**

### **Financial assets and financial liabilities**

Financial assets and financial liabilities are initially recognised at fair value and are subsequently accounted for 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.

### **Cash and cash equivalents**

Cash and cash equivalents include cash and short-term investments with an original maturity of three months or less, and are accounted for at amortised cost. Interest earned or accrued on these financial assets is included in investment income in the profit or loss in the consolidated statement of profit or loss and other comprehensive income.

### **Other receivables**

Such receivables arise when the Group provides services to a third party, such as a tenant, and are included in current assets. Other receivables are included in other assets in the consolidated statement of financial position and are accounted for at amortised cost.

### **Other liabilities**

Such financial liabilities are recorded at amortised cost and include all liabilities other than derivative financial instruments which are accounted for at fair value through profit and loss.

### **Derivatives**

The Group utilises derivative financial instruments to hedge interest rate exposures. Derivatives are not designated as cash flow hedges for accounting purposes. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The fair value change in the derivative is recognised in the profit or loss in the consolidated statement of profit or loss and other comprehensive income. The full fair value of the derivative is classified as a non-current asset or liability when the derivative is more than 12 months, and as a current asset or liability when the remaining maturity of the derivative is less than 12 months.

Fair value movement of derivative financial instruments, such as those relating to interest rate swaps, are disclosed separately on the consolidated statement of profit or loss and other comprehensive income.

# Notes to Consolidated Financial Statements

## **Determination of fair value**

The fair value of a financial instrument on initial recognition is generally the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, the fair value of financial instruments is remeasured based on relevant market data. The Group classifies the fair value for each class of financial instrument based on the fair value hierarchy in accordance with IFRS 13, Fair Value Measurement ("IFRS 13"). The fair value hierarchy distinguishes between market value data obtained from independent sources and the Group's own assumptions about market value.

## **g) IAS 17, Revenue from lease contracts**

The Group recognises rental revenue using the straight-line method, whereby the total amount of rental revenue to be received from all leases is accounted for on a straight-line basis over the term of the related leases. The difference between the rental revenue recognised and the amounts contractually due under the lease agreements is accrued as other receivable.

### **Tenant inducements**

Incentives such as cash, rent-free periods and move-in allowances may be provided to lessees who enter into a lease. The incentives are written off on a straight-line basis over the term of the lease as a reduction of rental revenue.

### **Early termination of leases**

When the Group receives rent loss payments from a tenant for the early termination of a lease, it is reflected in the accounting period in which the rent loss payment occurred.

### **Bad debt**

All residential accounts receivable balances exceeding 30 days are written off to bad debt expense and recognised in the consolidated statement of profit or loss and other comprehensive income. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of profit or loss and other comprehensive income.

## **h) IFRS 15, Revenue from Contracts with Customers ("IFRS 15")**

### **Transition methodology**

I-RES has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018. This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. IFRS 15 excludes revenue from lease contracts which follows IAS 17. The new standard provides a single, comprehensive revenue recognition model. I-RES has adopted the new standard on modified retrospective basis without restatement of prior period comparatives.

### **Revenue recognition – IFRS 15 Revenue policy applicable after 1 January 2018**

Car park revenue is recognised when the services are provided.

### **Transition impact**

I-RES has assessed the impact of IFRS 15 which included a review of relevant contracts which I-RES believes are in the scope of IFRS 15 including but not limited to car park income. I-RES has concluded that the pattern of revenue recognition for those contracts falling within this standard will remain unchanged upon adoption. I-RES has adopted the new standard on the required effective date on modified retrospective basis without restatement of prior period comparatives. See Note 11 for disclosure.

## **i) Bank indebtedness, borrowing costs and interest on credit facility**

# Notes to Consolidated Financial Statements

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense are recognised in profit or loss.

## j) **Operating segments**

The Group operates and is managed as one business segment, namely property investment, with all investment properties located in Ireland. The operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, which has been identified as the I-RES' Board.

## k) **Statement of cash flows**

Cash and cash equivalents consist of cash on hand, balances with banks. Investing and financing activities that do not require the use of cash or cash equivalents are excluded from the consolidated statement of cash flows and are disclosed separately in the notes to the consolidated financial information. Interest expense is classified as financing activities.

## l) **Income taxes**

### Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

I-RES elected for REIT status on 31 March 2014. As a result, from that date I-RES does not pay Irish corporation tax on the profits and gains from its qualifying rental business in Ireland, provided it meets certain conditions.

Going forward, corporation tax is still payable in the normal way in respect of income and gains from any residual business (generally including any property trading business) not included in the Property Rental Business. I-RES would also be liable to pay other taxes such as VAT, stamp duty, land tax, local property tax and payroll taxes in the normal way.

### 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.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

## m) **Equity and share issue costs**

The equity of I-RES consists of ordinary shares issued. Shares issued are recorded at the date of issuance. Direct issue costs in respect of the issue of shares are accounted for as a deduction from retained earnings.

## n) **Net asset value ("NAV") and EPRA NAV**

The NAV is calculated as the value of the Group's assets less the value of its liabilities measured in accordance with IFRS as adopted in the EU, and in particular will include the Group's property assets at their most recent independently assessed market values.

EPRA NAV is calculated in accordance with the European Public Real Estate Association ("EPRA") Best Practice Recommendations, November 2016. EPRA NAV excludes the net marked-to-market movement in the value of financial instruments used for hedging purposes and where a company has the intention to keep the hedge position until the end

# Notes to Consolidated Financial Statements

of the contractual duration, and deferred tax in respect of any difference between the fair value and the book value of the investment properties.

## **o) Share-based payments**

I-RES has determined that the options issued to senior executives qualify as “equity-settled share-based payment transactions” as per IFRS 2. In addition, any options issued to the directors have also been based on “equity-settled share-based payment transactions.” The fair value of the options measured on the grant date will be expensed over the vesting term with a corresponding increase in equity. The fair value for all options granted is measured using the Black-Scholes model.

## **p) Property taxes**

Property taxes are paid annually and recognised as an expense evenly throughout the year.

## **q) Security deposits**

Security deposits are amounts received from tenants at the beginning of a tenancy. When a tenant is no longer in possession of the property, the Group will assess whether there were damages to the property above normal wear and tear for which deductions may be made to their deposit. Once the inspections and repairs are calculated, the remaining security deposit is returned to the tenant.

## **r) Future Accounting Changes**

As at February 22, 2019, the following new or amended IFRS have been issued by the International Accounting Standards Board (“IASB”) and are expected to apply to I-RES for reporting periods beginning after December 31, 2018:

### **IFRS 16, Leases (“IFRS 16”)**

This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. It addresses the definition of a lease, recognition and measurement of leases, and establishes principles for reporting useful information to users of financial statements about leasing activities.

Under IAS 17, lessees were required to make a distinction between a finance lease (on the statement of financial position) and an operating lease (off-balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, the low value exemption can only be applied by lessees.

For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, 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.

The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted only if it also applies IFRS 15, Revenue from Contracts with Customers. The EU has endorsed this standard. I-RES intends to adopt the new standard on the required effective date. Based on the assessment done, I-RES does not expect IFRS 16 will have a material impact on its financial statements.

### **IFRIC 23, Uncertainty Over Income Tax Treatments**

This new IFRS interpretation clarifies how the recognition and measurement requirements of IAS 12, Income Taxes, are applied where there is uncertainty over income tax treatments and is effective for years beginning on or after January 1, 2019.

Based on the assessment done, I-RES does not expect IFRIC 23 will have a material impact on its financial statements.

# Notes to Consolidated Financial Statements

## 3. Critical Accounting Estimates, Assumptions and Judgements

The preparation of the consolidated financial information in accordance with IFRS requires the use of estimates, assumptions and judgements that in some cases relate to matters that are inherently uncertain, and which affect the amounts reported in the consolidated financial information and accompanying notes. Areas of such estimation include, but are not limited to, valuation of investment properties. Changes to estimates and assumptions may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial information, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates under different assumptions and conditions.

The valuation estimate of investment properties is deemed to be more significant. See note 2(c) and 5 for a detailed discussion of valuation methods and the significant assumptions and estimates used.

## 4. Recent Investment Property Acquisitions and Developments

### For the year 1 January 2018 to 31 December 2018

Property	Acquisition Date	Apartment Count	Region	Total Acquisition Costs
				€'000
Hampton Wood	21 May 2018	128	Dublin, Ireland	40,888
The Marker	12 March 2018	1	Dublin, Ireland	473
		129		41,361

Property	Development Contract Date	Apartment Count	Region	Total Costs Spent in 2018 €'000	Total Fixed Price Contract (incl land cost) €'000
Hansfield Wood Development <sup>(1)</sup>	25 May 2018	99	Dublin, Ireland	20,587	31,560
Hansfield Phase II Development <sup>(2)</sup>	16 November 2018	95	Dublin, Ireland	10,542	30,000
		194		31,129	61,560

(1) Expenditure during the period relate to development of 99 units at Hansfield Wood site. As at 31 December 2018, I-RES REIT had received all 99 completed apartments. The total fixed price contract includes € 7.8 million related to land.

(2) On 16 November 2018, I-RES has acquired 1.3 acre development site at Hansfield Phase II Development for € 30 million and entered into a development agreement to develop 95 apartments.

### For the year 1 January 2017 to 31 December 2017

Property	Acquisition or Development Completion Date	Apartment Count	Region	Total Acquisition or Development Costs
				€'000
Tyrone Court <sup>(1)</sup>	1 June 2017	3	Dublin, Ireland	760
The Maple	12 July 2017	68	Dublin, Ireland	17,412
Coldcut Park	19 October 2017	1	Dublin, Ireland	209

# Notes to Consolidated Financial Statements

Hansfield Wood <sup>(2)</sup>	15 November 2017	-	Dublin, Ireland	7,130
		72		25,511

- (1) At Tyrone Court, a crèche was converted into three additional residential apartments and a management suite through intensification
- (2) Acquired Hansfield Wood development site (land) located in Ongar, Dublin 15 for € 7.1 million. The Company also entered into a development agreement with a third party to develop 99 residential units on the Hansfield Wood site for a total consideration of € 23 million (including VAT, but excluding other transaction costs.)

## 5. Investment Properties

### Valuation basis

Investment properties are carried at fair value, which is the amount at which the individual properties could be sold in an orderly transaction between market participants at the measurement date, considering the highest and best use of the asset, with any gain or loss arising from a change in fair value recognised in profit or loss in the consolidated statement of profit or loss and other comprehensive income for the period.

The 2018 year end fair values of all of the Group's investment properties are determined by Coldwell-Banker Richard Ellis (CBRE), the Company's external independent valuer. The valuer employs qualified valuation professionals and has recent experience in the location and category of the respective property. Valuations are prepared on a bi-annual basis at the interim reporting date and the annual reporting date.

The information provided to the valuer, and the assumptions and valuation methodologies and models used by the valuer, are reviewed by management. The valuer meets with the Audit Committee and discusses the valuation results as at 31 December and 30 June directly. The Board determines the Group's valuation policies and procedures for property valuations. The Board decides which independent valuer to appoint for the external valuation of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

### Investment property producing income

For investment property, the income approach / yield methodology involves applying market-derived capitalisation rates to current and projected future income streams. These Capitalisation Rates and future income streams are derived from comparable property transactions and are considered to be the key inputs in the valuation. Other factors that are taken into account include the tenure of the lease, tenancy details, and planning, building and environmental factors that might affect the property.

### Investment property under development

In the case of investment property under development, the approach applied is the "residual method" of valuation, which is the investment method as described above with a deduction for the costs necessary to complete the development together with an allowance for the remaining risk using Estimated Rental Value ("ERV").

As at the reporting date, the Company has capitalised a total of €42.1 million of costs, which includes allocation of development land related to residential developments. However, during 2018, the Company reclassified development costs of €33.5 million related to completed apartments at Hansfield Wood Phase II from properties under development to investment property. Consequently, the remaining €10.5 million of the capitalised costs relate to Hansfield Wood properties that are currently undergoing development.

Borrowing cost capitalized of €218,000 (€26,000 as at 31 December 2017) is included in capitalized costs. The weighted average interest rate used to capitalise the borrowing costs is 1.93% (2017: 1.6%).



# Notes to Consolidated Financial Statements

## Development land

In the case of development land, the approach applied is the comparable sales approach, which considers recent sales activity for similar land parcels in the same or similar markets. Land values are estimated using either a per acre or per buildable square foot basis based on highest and best use. Such values are applied to the Group's properties after adjusting for factors specific to the site, including its location, zoning, servicing and configuration.

## Information about fair value measurements using unobservable inputs (Level 3)

At 31 December 2018, the Group considers that all of its investment properties fall within Level 3 fair value as defined by IFRS 13. As outlined in IFRS 13, a Level 3 fair value recognises that the significant inputs and considerations made in determining the fair value of property investments cannot be derived from publicly available data, as the valuation methodology in respect of a property also has to rely on a number of unobservable inputs including technical reports, legal data, building costs, rental analysis, professional opinion on profile, lot size, layout and presentation of accommodation. In addition, the valuers utilise proprietary databases maintained in respect of properties similar to the assets being valued.

The Group tests the reasonableness of all significant unobservable inputs, capitalisation rates and stabilised net rental income ("**Stabilised NRI**") used in the valuation, and reviews the results with the independent valuer for all independent valuations. The Stabilised NRI represents property revenue less property operating expenses, adjusted for market-based assumptions such as long-term vacancy rates, management fees, repairs and maintenance.

## Sensitivity analysis

Estimated Stabilised NRI and market-observed Capitalisation Rates are key inputs in the valuation model used. For example, completed properties are valued mainly using a term and reversion model: i.e., the present values of future cash flows from expected rental receipts are calculated. For the existing rental contract or "term" this is the expected net rents from tenants over the period to the next lease break option or expiry. After this period, the "reversion", estimated Stabilised NRI is used to calculate cash flows based on expectations from current market conditions. Thus a decrease in the estimated Stabilised NRI will decrease the fair value, and an increase in the estimated Stabilised NRI will increase the fair value.

The Capitalisation Rates magnify the effect of a change in Stabilised NRI, with a lower Capitalisation Rate resulting in a greater effect on the fair value of investment properties than a higher Capitalisation Rate.

Across the entire portfolio of investment properties, an increase of 1% in the Equivalent Capitalisation Rate would have the impact of a €148.9 million reduction in fair value while a decrease of 1% in the Equivalent Capitalisation Rate would result in a fair value increase of €226.1 million per share.

The direct operating expenses recognised in the consolidated statement of profit or loss and other comprehensive income for the Group is €9.5 million for the year ended 31 December 2018 (2017: €8.4 million), arising from investment property that generated rental income during the period. The direct operating expenses are comprised of the following significant categories: property taxes, utilities, repairs and maintenance, wages, insurance, service charges and property management fees.

The direct operating expenses recognised in the consolidated statement of profit or loss and other comprehensive income arising from investment property that did not generate rental income for the period ended 31 December 2018 and 31 December 2017 was not material.

An investment property is comprised of various components, including undeveloped land and vacant residential and commercial units; no direct operating costs were specifically allocated to these components noted above.

# Notes to Consolidated Financial Statements

## Quantitative information

A summary of the Equivalent Capitalisation Rates and ranges along with the fair value of the total portfolio of the Group as at 31 December 2018 is presented below:

### As at 31 December 2018

Type of Interest	Fair Value €'000	WA NRI <sup>(1)</sup> €'000	Rate Type <sup>(2)</sup>	Max.	Min.	Weighted Average
Investment properties	882,416	2,970	Equivalent Capitalisation Rate	6.27%	4.14%	4.97%
Properties under development	10,500	1,577	Equivalent Capitalisation Rate	4.65%	4.65%	4.65%
Development land <sup>(3)</sup>	28,400	n/a	Market Comparable (per sq ft.)	€154.7	€35.6	€125.1
Total investment properties	921,316					

(1) Calculated as the Stabilised NRI of each property weighted by its fair value over the total fair value of the investment properties ("WA NRI").

(2) The Equivalent Capitalisation Rate disclosed above is based on the Stabilised NRI divided by the fair value of the investment property.

(3) Development land is fair-valued based on the value of the undeveloped site per square foot.

### As at 31 December 2017

Type of Interest	Fair Value €'000	WA NRI <sup>(1)</sup> €'000	Rate Type <sup>(2)</sup>	Max.	Min.	Weighted Average
Investment properties	716,785	2,890	Equivalent Capitalisation Rate	6.48%	4.48%	5.23%
Properties under development	11,600	2,238	Equivalent Capitalisation Rate	6.38%	6.38%	6.38%
Development land <sup>(3)</sup>	22,550	n/a	Market Comparable (per sq ft.)	€121.0	€23.0	€104.7
Total investment properties	750,935					

(1) Calculated as the Stabilised NRI of each property weighted by its fair value over the total fair value of the investment properties ("WA NRI").

(2) The Equivalent Capitalisation Rate disclosed above is based on the Stabilised NRI divided by the fair value of the investment property.

(3) Development land is fair-valued based on the value of the undeveloped site per acre.

# Notes to Consolidated Financial Statements

The following table summarises the changes in the investment properties portfolio during the periods:

## Reconciliation of carrying amounts of investment properties

For year ended	31 December 2018			
	Income Properties	Properties Under Development	Development Land	Total
	€'000	€'000	€'000	€'000
<b>Balance at the beginning of the year</b>	<b>716,785</b>	<b>11,600</b>	<b>22,550</b>	<b>750,935</b>
Acquisitions	41,361	-	-	41,361
Development expenditures	-	31,129	-	31,129
Reclassification <sup>(1)</sup>	32,849	(33,449)	600	-
Property capital investments and intensification	4,987	-	-	4,987
Capitalised leasing costs <sup>(2)</sup>	22	-	-	22
Direct leasing costs <sup>(3)</sup>	218	-	-	218
Unrealised fair value movements	86,194	1,220	5,250	92,664
<b>Balance at the end of the year</b>	<b>882,416</b>	<b>10,500</b>	<b>28,400</b>	<b>921,316</b>

For the year ended	31 December 2017			
	Income Properties	Properties Under Development	Development Land	Total
	€'000	€'000	€'000	€'000
<b>Balance at the beginning of the year</b>	<b>657,665</b>	<b>11,365</b>	<b>16,050</b>	<b>685,080</b>
Acquisitions	209	7,130	-	7,339
Development expenditures	-	10,974	2,121	13,095
Reclassification	18,030	(18,480)	450	-
Property capital investments and intensification	4,965	-	-	4,965
Capitalised leasing costs	(31)	-	-	(31)
Direct leasing costs	37	-	-	37
Unrealised fair value movements	35,910	611	3,929	40,450
<b>Balance at the end of the year</b>	<b>716,785</b>	<b>11,600</b>	<b>22,550</b>	<b>750,935</b>

(1) Reclassified Hansfield Wood Phase I from properties under development to income properties, and development site from income properties to development land.

(2) Straight line rent adjustment.

(3) Includes cash outlays for new tenants.

Most of the residential leases are for one year or less.

The carrying value of the Group investment properties of €921.3 million for the investment properties at 31 December 2018 (€750.9 million at 31 December 2017) was based on an external valuation carried out as at that date. The valuations were prepared in accordance with the RICS Valuation – Global Standards, 2017 (Red Book) and IFRS 13.

# Notes to Consolidated Financial Statements

## 6. Other Assets

As at	31 December 2018 €'000	31 December 2017 €'000
<b>Other Non-Current Assets</b>		
Property, plant and equipment		
At cost	59	58
Accumulated amortisation	(53)	(45)
Net property, plant and equipment	6	13
<b>Total</b>	<b>6</b>	<b>13</b>

As at	31 December 2018 €'000	31 December 2017 €'000
<b>Other Current Assets</b>		
Prepayments <sup>(1)</sup>	8,915	907
Other receivables <sup>(2)</sup>	1,595	2,954
Trade receivables	2,123	1,377
<b>Total</b>	<b>12,633</b>	<b>5,238</b>

(1) Includes specific costs relating to preparing planning applications of development lands and €4.2 million deposit

(2) Relates to levies received in respect of services to be incurred

## 7. Accounts Payable and Accrued Liabilities

As at	31 December 2018 €'000	31 December 2017 €'000
<b>Accounts Payable and Accrued Liabilities<sup>(1)</sup></b>		
Rent - early payments	1,605	1,861
Trade creditors	2,369	251
Accruals <sup>(2)</sup>	5,080	7,196
Value Added Tax <sup>(3)</sup>	102	71
<b>Total</b>	<b>9,156</b>	<b>9,379</b>

(1) The carrying value of all accounts payable and accrued liabilities approximates their fair value.

(2) Includes property related accruals, development accruals, as well as property management fees and asset management fees accruals.

(3) Includes a VAT liability related to an acquisition made during the period

### Security deposits

As at	31 December 2018 €'000	31 December 2017 €'000
<b>Security Deposits</b>		
Security deposits	5,294	3,996
<b>Total</b>	<b>5,294</b>	<b>3,996</b>

# Notes to Consolidated Financial Statements

## 8. Credit Facility

As at	31 December 2018	31 December 2017
	€'000	€'000
<b>Bank Indebtedness</b>		
Loan drawn down	309,159	247,850
Deferred loan costs, net	(1,665)	(2,480)
<b>Total</b>	<b>307,494</b>	<b>245,370</b>

I-RES entered into a facility agreement on 14 January 2016 (as amended on 4 May 2016, 28 February 2017 and amended and restated on 15 September 2017) with Barclays Bank Ireland PLC and Ulster Bank Ireland DAC. The latest amended and restated facilities agreement on 15 September 2017 also added The Bank of Ireland as a party. The agreement provides for a credit facility of up to €250 million, which can be extended to €350 million subject to certain terms and conditions (the “**Credit Facility**”). This revolving Credit Facility has a five-year term starting from 14 January 2016. The Credit Facility is subject to compliance with various provisions of the facility agreement (including certain financial covenants and commitments, as well as limitations on indebtedness). The interest on the Credit Facility is set at the annual rate of 2%, plus the one-month or three-month EURIBOR rate (at the option of I-RES). The debt is secured over the assets of the Group and there was a one-time arrangement fee relating to the Credit Facility. On 15 September 2017, in agreement with Barclays Bank Ireland plc, Ulster Bank Ireland DAC and additionally The Bank of Ireland (formerly known as The Governor and Company of the Bank of Ireland), I-RES increased its Credit Facility to €350 million. Arrangement fees were paid in connection with the additional €100 million commitment.

I-RES has complied with all externally imposed capital requirements to which it was subject during the year.

On 28 February 2017, I-RES entered into interest rate swap agreements aggregating to €160 million. The agreements have an effective date of 23 March 2017 and a maturity date of January 2021. On 15 September 2017, I-RES entered into a new interest rate swap agreement totalling €44.8 million. The new agreement has an effective date of 15 September 2017 and a maturity date of January 2021.

The interest rate swap agreements effectively convert the hedged portion of the Credit Facility (€204.8 million) from a variable rate to a fixed rate facility up to the maturity date (see note 12 for further details), the fixed interest rate is at 1.91% (2% less 0.09) on the total €204.8 million interest rate swap.

## 9. Share-Based Compensation

Options are issuable pursuant to I-RES' share-based compensation plan, namely, the long-term incentive plan (“**LTIP**”). Options were granted on 26 March 2015 and 16 April 2014 by I-RES to certain trustees and employees of Canadian Apartment Properties Real Estate Investment Trust (“**CAPREIT**”) and its affiliates and to David Ehrlich, former Chief Executive Officer of I-RES. On 16 November 2017, an additional 2,000,000 options were granted to Margaret Sweeney, Chief Executive Officer of I-RES. All options have a maximum life of seven years less a day and will vest over three years from the date of grant on the basis of one third per completed year the recipient of the option completes in respect of the relevant service which has qualified him or her for an option grant. The LTIP limit cannot exceed 10% of I-RES' issued ordinary share capital (adjusted for share issuance and cancellation) during the 10-year period prior to that date. As at 31 December 2018, the maximum number of additional options issuable under the LTIP is 15,678,455 (31 December 2017 – 13,457,188).

<b>LTIP</b>		
<b>For the year ended</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Share Options outstanding		
as at 1 January	27,736,940	25,980,000
Issued, cancelled or granted during the period:		
Issued or granted	-	2,000,000
Exercised or settled <sup>(3)</sup>	(16,861,940)	-

# Notes to Consolidated Financial Statements

Forfeited <sup>(1)</sup>	-	(243,060)
<b>Share Options outstanding as at 31 December</b>	<b>10,875,000</b>	<b>27,736,940</b>

(1) Cancelled / forfeited - the unvested shares resulting from the departure of certain CAPREIT employees.

(2) Of the Share Options outstanding above, 9,541,667 were exercisable at 31 December 2018 (31 December 2017: 22,461,940)

(3) The weighted average exercise price of the options is €1.02. The weighted average market price of the options is €1.38

The fair value of options has been determined as at the grant date using the Black-Scholes model. The assumptions utilised in the model to arrive at the estimated fair value for the outstanding grants at the respective periods are listed below.

## LTIP

<b>Issuance Date</b>	<b>16 November 2017</b>	<b>26 March 2015</b>	<b>16 April 2014</b>
Number of shares	2,000,000	11,900,000	17,080,000
Share price on date of grant (€)	1.489	1.005	1.040
Award grant price (€)	1.489	1.005	1.040
Risk-free rate (%)	2.2	0.4	1.2
Distribution yield (%)	3.9	5.0	5.0
Expected years	7.0	7.0	7.0
Volatility (%)	19.6	20.2	20.3
Award option value (€)	0.18	0.07	0.08

The expected volatility is based on historic market volatility prior to the issuance. 16 November 2017 issue's volatility is based over the past four years, 26 March 2015 issue's volatility is based over the prior five years, and 16 April 2014 issue's volatility is based over the prior four years. The risk-free rate is based on Irish government bonds with a term consistent with the assumed option life.

The share-based compensation expense during the year ended 31 December 2018 was €228,000 (31 December 2017 - €190,000).

## 10. Shareholders' Equity

All equity shares outstanding are fully paid and are voting shares. Equity shares represent a shareholder's proportionate undivided beneficial interest in I-RES. No equity share has any preference or priority over another. No shareholder has or is deemed to have any right of ownership in any of the assets of I-RES. Each share confers the right to cast one vote at any meeting of shareholders and to participate pro rata in any distributions by I-RES and, in the event of termination of I-RES, in the net assets of I-RES remaining after satisfaction of all liabilities. Shares will be issued in registered form and are transferable.

The number of shares authorised is as follows:

<b>For the year ended</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>Authorised Share Capital</b>	<b>1,000,000,000</b>	<b>1,000,000,000</b>
Ordinary shares of €0.10 each		

The number of issued and outstanding ordinary shares is as follows:

<b>For the year ended</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>Ordinary shares outstanding, beginning of year</b>	<b>417,292,006</b>	<b>417,292,006</b>
New Shares Issued <sup>(1)</sup>	<b>16,861,940</b>	-

# Notes to Consolidated Financial Statements

<b>Ordinary shares outstanding, end of year</b>	<b>434,153,946</b>	417,292,006
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(1) For the year ended 31 December 2018, all shares were issued pursuant to exercise of share options by the former CEO of I-RES and certain employees of CAPREIT at weighted average exercise prices of €1.02 per share (see note 17).

## 11. Revenue

The effect of initially applying IFRS 15 on I-RES's revenue from contracts with customers is described in Note 2(h).

I-RES generates revenue primarily from the rental income from investment properties. In accordance with the adoption of IFRS 15, revenue from Contracts with Customers, the I-RES has evaluated the lease and non-lease components of its revenue and has determined the following allocation:

	<b>31 December 2018</b>	<b>31 December 2017</b>
	€'000	€'000
Rental Income	<b>50,029</b>	44,216
Car park income	<b>579</b>	477
<b>Total Revenue</b>	<b>50,608</b>	44,693

I-RES charged its residential tenants for gross rent and pays common area expenses of €4,537. I-RES does not separately charge its residential tenants for the common area expenses.

## 12. Realised and Unrealised Gains and Losses on Derivative Financial Instruments

On 28 February 2017, I-RES entered into interest rate swap agreements aggregating to €160 million. The agreements have an effective date of 23 March 2017 and a maturity date of January 2021. On 15 September 2017, I-RES entered into a new interest rate swap agreement totalling €44.8 million. The new agreement has an effective date of 15 September 2017 and a maturity date of January 2021. The interest rate swap agreements effectively convert the hedged portion of the Credit Facility (€204.8 million) from a variable rate to a fixed rate facility to maturity date (see note 8 for further details), the fixed interest rate is at 1.91% (2% less 0.09%) on the total €204.8 million interest rate swap.

In 2018, fair value loss of €659,000 (2017: loss €241,000) has been recorded in the consolidated statement of profit or loss and the fair value of the interest rate swaps was a liability of €913,000 at 31 December 2018 (31 December 2017: liability of €249,000).

## 13. Financial Instruments, Investment Properties and Risk Management

### a) Fair value of financial instruments and investment properties

The Group classifies and discloses the fair value for each class of financial instrument based on the fair value hierarchy in accordance with IFRS 13. The fair value hierarchy distinguishes between market value data obtained from independent sources and the Group's own assumptions about market value. The hierarchy levels are defined below:

Level 1 - Inputs based on quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs based on factors other than quoted prices included in Level 1 and may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates and yield curves that are observable at commonly quoted intervals; and

Level 3 - Inputs which are unobservable for the asset or liability, and are typically based on the Group's own assumptions as there is little, if any, related market activity.

# Notes to Consolidated Financial Statements

The Group's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement, and considers factors specific to the asset or liability.

The following table presents the Group's estimates of fair value on a recurring basis based on information available as at 31 December 2018, aggregated by the level in the fair value hierarchy within which those measurements fall.

## As at 31 December 2018

	Level 1	Level 2	Level 3	Total
	Quoted prices in active markets for identical assets and liabilities	Significant other observable inputs	Significant unobservable inputs <sup>(1)</sup>	
	€'000	€'000	€'000	€'000
<b>Recurring Measurements - Assets</b>				
Investment properties	-	-	921,316	921,316
Derivative financial instruments - interest <sup>(2)</sup>	-	913	-	913
Total	-	913	921,316	922,229

## As at 31 December 2017

	Level 1	Level 2	Level 3	Total
	Quoted prices in active markets for identical assets and liabilities	Significant other observable inputs	Significant unobservable inputs <sup>(1)</sup>	
	€'000	€'000	€'000	€'000
<b>Recurring Measurements - Assets</b>				
Investment properties	-	-	750,935	750,935
Derivative financial instruments - interest <sup>(2)</sup>	-	249	-	249
Total	-	249	750,935	751,184

(1) See note 5 for detailed information on the valuation methodologies and fair value reconciliation.

(2) The valuation of the interest rate swap instrument is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of the derivatives. The fair value is determined using the market-standard methodology of netting the discounted future fixed cash payments and the discounted expected of the derivatives. The variable cash receipts are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. If the total mark-to-market value is positive, I-RES will consider a current value adjustment to reflect the credit risk of the counterparty and if the total mark-to-market value is negative, I-RES will consider a current value adjustment to reflect I-RES' own credit risk in the fair value measurement of the interest rate swap agreements.

## **b) Risk management**

The main risks arising from the Group's financial instruments are market risk, interest rate risk, liquidity risk and credit risk. The Group's approach to managing these risks is summarised as follows:

### **Market risk**

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks.



# Notes to Consolidated Financial Statements

The Group's financial assets currently comprise short-term bank deposits and trade receivables.

Short-term bank deposits are held while awaiting suitable investment properties for investment. These are denominated in euros. Therefore, exposure to market risk in relation to these is limited to interest rate risk.

## Interest rate risk

With regard to the cost of borrowing, I-RES has used, and may continue to utilise hedging, where considered appropriate, to mitigate interest rate risk.

As at 31 December 2018, I-RES' Credit Facility was drawn for €309.2 million. On 28 February 2017 and 15 September 2017, I-RES entered into interest rate swap agreements aggregating to €204.8 million. The interest rate swap agreements effectively convert the hedged portion of the Credit Facility from a variable rate to a fixed rate facility to maturity date. The fixed interest rate is at 1.91% (2% less 0.09%). The agreements effectively convert borrowings on a EURIBOR-based floating rate credit facility to a fixed rate facility. As of 15 September 2017, interest on the remaining portion of the Credit Facility is paid at a rate of 2.0% per annum plus the higher of the one-month or three-month EURIBOR rate (at the option of I-RES) or zero. For the year ended 31 December 2018, a 100 basis point change in interest rates would have the following effect on the unhedged portion:

### As at 31 December 2018

	Change in interest rates	Increase (decrease) in net income
	Basis Points	2018 €'000
EURIBOR rate debt <sup>(1)</sup>	+100	(660)
EURIBOR rate debt <sup>(2)</sup>	-100	-

(1) Based on the fixed margin of 2.0% plus the one-month EURIBOR rate as at 31 December 2018 of -0.368% on the unwapped portion of the Credit Facility.

(2) Based on the fixed margin of 2.0% plus the floor of zero on the unwapped portion of the Credit Facility.

### As at 31 December 2017

	Change in interest rates	Increase (decrease) in net income
	Basis Points	2017 €'000
EURIBOR rate debt <sup>(1)</sup>	+100	(268)
EURIBOR rate debt	-100	-

(1) Based on the fixed margin of 2.0% plus the one-month EURIBOR rate as at 31 December 2017 of -0.378% on the unwapped portion of the Credit Facility.

## Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulties in accessing capital markets and refinancing its financial obligations as they come due.

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

# Notes to Consolidated Financial Statements

risking damage to the Group's reputation. The Group monitors the level of expected cash inflows on trade and other receivables, together with expected cash outflows on trade and other payables and capital commitments.

	6 months or less <sup>(1)</sup>	6 to 12 months <sup>(1)</sup>	1 to 2 years <sup>(1)</sup>	2 to 5 years <sup>(1)</sup>	More than 5 years <sup>(1)</sup>
As at 31 December 2018	€'000	€'000	€'000	€'000	€'000
Loan drawn down	-	-	-	309,159	-
Bank indebtedness interest <sup>(2)</sup>	2,980	3,030	6,027	231	-
Other liabilities	9,054	-	-	-	-
Derivative financial instruments	-	-	-	913	-
Security deposits	5,294	-	-	-	-
	17,328	3,030	6,027	310,303	-

(1) Based on carrying value at maturity dates.

(2) Based on current in-place interest rate for the remaining term to maturity.

	6 months or less <sup>(1)</sup>	6 to 12 months <sup>(1)</sup>	1 to 2 years <sup>(1)</sup>	2 to 5 years <sup>(1)</sup>	More than 5 years <sup>(1)</sup>
As at 31 December 2017	€'000	€'000	€'000	€'000	€'000
Loan drawn down	-	-	-	247,850	-
Bank indebtedness interest <sup>(2)</sup>	2,412	2,372	4,784	7,392	-
Other liabilities	9,316	-	-	-	-
Derivative financial instruments	-	-	-	241	-
Security deposits	3,996	-	-	-	-
	15,724	2,372	4,784	255,483	-

(1) Based on carrying value at maturity dates.

(2) Based on current in-place interest rate for the remaining term to maturity.

The carrying value of bank indebtedness and trade and other payables (other liabilities) approximates their fair value.

## Credit risk

Credit risk is the risk that: (i) counterparties to contractual financial obligations will default; or (ii) the possibility that the Group's tenants may experience financial difficulty and be unable to meet their rental obligations.

The Group monitors its risk exposure regarding obligations with counterparties through the regular assessment of counterparties' credit positions.

The Group mitigates the risk of credit loss with respect to tenants by evaluating the creditworthiness of new tenants, and obtaining security deposits wherever permitted by legislation.

The Group monitors its collection experience on a monthly basis and ensures that a stringent policy is adopted to provide for all past due amounts. All residential accounts receivable balances exceeding 30 days are written off to bad debt expense and recognised in the consolidated statement of profit or loss and other comprehensive income. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of profit or loss

# Notes to Consolidated Financial Statements

and other comprehensive income. The Group's impairment loss allowance for trade receivables amounted to €217,000 for the year ended 31 December 2018 (2017: €330,000).

Cash and cash equivalents are held by major Irish and European institutions with credit rating of AA and AAA respectively. The Company deposits cash with individual institutions to avoid concentration of risk with any one counterparty. The Group has also engaged the services of a depository to ensure the security of the cash assets.

Risk of counterparty default arising on cash and cash equivalents and derivative financial instruments is controlled by dealing with high-quality institutions and by policy, limiting the amount of credit exposure to any one bank or institution.

## Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, I-RES may issue new shares or consider the sale of assets to reduce debt. I-RES, through the Irish REIT Regime, is restricted in its use of capital to making investments in real estate property in Ireland. I-RES intends to make distributions if results of operations and cash flows permit in the future.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. At 31 December 2018, capital consists of equity and debt, and Group Total Gearing was 33.6%. I-RES seeks to use gearing to enhance shareholder returns over the long term. The level of gearing is monitored carefully by the Board. Given the stability of the residential rental accommodation sector, a 45% gearing policy is currently considered prudent by the Board.

The Board monitors the return on capital as well as the level of dividends paid to ordinary shareholders. Subject to distributable reserves, it is the policy of I-RES to distribute at least 85% of the Property Income of its Property Rental Business for each accounting period.

## 14. Taxation

I-RES elected for REIT status on 31 March 2014. As a result, from this date the Group is exempt from paying Irish corporation tax on the profits and gains from qualifying rental business in Ireland provided it meets certain conditions.

Instead, dividends paid to shareholders in respect of the Property Rental Business are treated for Irish tax purposes as income in the hands of shareholders. Corporation tax is still payable in the normal way in respect of income and gains from any residual business (generally including any property trading business) not included in the Property Rental Business. I-RES is also liable to pay other taxes such as VAT, stamp duty, land tax, local property tax and payroll taxes in the normal way.

Within the Irish REIT Regime, for corporation tax purposes the Property Rental Business is treated as a separate business from the residual business. A loss incurred by the Property Rental Business cannot be offset against profits of the residual business.

An Irish REIT is required, subject to having sufficient distributable reserve, to distribute to its shareholders (by way of dividend), on or before the filing date for its tax return for the accounting period in question, at least 85% of the Property Income of the Property Rental Business arising in each accounting period. Failure to meet this requirement would result in a tax charge calculated by reference to the extent of the shortfall in the dividend paid. A dividend paid by an Irish REIT from its Property Rental Business is referred to as a property income distribution. Any normal dividend paid from the residual business by the Irish REIT is referred to as a non-property income distribution dividend.

The Directors confirm that the Group has remained in compliance with the Irish REIT Regime up to and including the date of this Report and that there has been no profit arising from residual business activities.

# Notes to Consolidated Financial Statements

## 15. Dividends

Under the Irish REIT Regime, subject to having sufficient distributable reserves, I-RES is required to distribute to shareholders at least 85% of the Property Income of its Property Rental Business for each accounting period, provided it has sufficient distributable reserves.

On 3 August 2018, the Directors declared an interim dividend of €11.3 million for the period ended 30 June 2018. The dividend of 2.6 cents per share was paid on 7 September 2018 to shareholders on record as at 17 August 2018.

On 22 February 2018, the Directors resolved to pay an additional dividend of €11.3 million for the year ended 31 December 2017. The dividend of 2.7 cents per share was paid on 23 March 2018 to shareholders on record as of 2 March 2018.

On 9 August 2017, the Directors declared an interim dividend of €10.4 million for the period ended 30 June 2017. The dividend of 2.5 cents per share was paid on 18 September 2017 to shareholders on record as at 25 August 2017.

On 20 February 2017, the Directors declared an annual dividend of €20.4 million for the 2017 and 2016 accounting period. The dividend of 4.9 cents per share was paid on 24 March 2017 to shareholders on record as at 3 March 2017.

	31 December 2018	31 December 2017
	€'000	€'000
Profit for the year	119,785	65,079
Less: net movement in fair value of investment properties	(92,664)	(40,450)
Property income of the Property Rental Business	27,121	24,629
Add back:		
Share-based compensation expense	228	190
Unrealised change in fair value of derivatives	659	241
Distributable Reserves	28,008	25,060

## 16. Supplemental Cash Flow Information

For the year ended	31 December 2018	31 December 2017
	€'000	€'000
Financing costs on credit facility as per the consolidated statement of profit or loss and other comprehensive income	6,706	5,223
Capitalised interest	218	-
Less: amortisation of financing fees	(835)	(622)
Financing costs on credit facility	6,089	4,601

### Changes in operating assets and liabilities

For the year ended	31 December 2018	31 December 2017
	€'000	€'000
Prepayments	(3,391)	(124)
Trade receivables	(746)	(270)
Other receivables	1,359	(2,954)
Deposits	(4,617)	1,589
Accounts payable and other liabilities	(224)	29

# Notes to Consolidated Financial Statements

Security deposits	1,298	713
<b>Changes in operating assets and liabilities</b>	<b>(6,321)</b>	<b>(1,017)</b>

<b>For the year ended</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
	€'000	€'000
Issuance of shares	17,264	-
Net proceeds	17,264	-

		<b>Changes from Financing Cash Flows</b>				<b>Non-cash changes</b>			
<b>Liabilities</b>	<b>2017</b>	<b>Credit Facility drawdown</b>	<b>Credit Facility repayment</b>	<b>Financing fees on credit facility</b>	<b>Amortisation of other financing costs</b>	<b>Loss on derivative financial instruments</b>	<b>Interest accrual relating to derivatives</b>		<b>2018</b>
Bank indebtedness	247,850	78,309	(17,000)	-	-	-	-		309,159
Deferred loan costs, net	(2,480)	-	-	(20)	835	-	-		(1,665)
Derivative financial instruments	249	-	-	-	-	659	5		913
<b>Total liabilities from financing activities</b>	<b>245,619</b>	<b>78,309</b>	<b>(17,000)</b>	<b>(20)</b>	<b>835</b>	<b>659</b>	<b>5</b>		<b>308,407</b>

## 17. Related Party Transactions

CAPREIT LP has an indirect 18% beneficial interest in I-RES and has determined that it has significant influence over I-RES. The beneficial interest is held through a qualifying investor alternative investment fund, Irish Residential Properties Fund, CAPREIT LP's wholly-owned subsidiary.

Effective 1 November 2015, CAPREIT LP's wholly-owned subsidiary, IRES Fund Management Limited ("IRES Fund Management") entered into the investment management agreement with I-RES (the "Investment Management Agreement"), as amended or as may be amended from time to time, pursuant to which I-RES pays 3.0% per annum of its gross rental income as property management fees and 0.5% per annum of its net asset value together with relevant reimbursements as asset management fees to IRES Fund Management. The Investment Management Agreement governs the provision of portfolio management, risk management and other related services to the Company by IRES Fund Management. It has an initial term of five years, unless it is duly terminated pursuant to a provision of the Investment Management Agreement, and thereafter shall continue in force for consecutive five-year periods.

For the year ended 31 December 2018, I-RES incurred €3.2 million in asset management fees. In addition, €1.5 million in property management fees were incurred and recorded under operating expenses. For the year ended 31 December 2017, €2.8 million in asset management fees and €1.3 million in property management fees were recorded.

The amount payable to CAPREIT LP (including IRES Fund Management) totalled €0.9 million as at 31 December 2018 (€2.0 million as at 31 December 2017) related to asset management fees, property management fees, payroll-related costs and other miscellaneous expenses incurred by CAPREIT LP on behalf of the Group. All charges from CAPREIT LP are benchmarked at normal commercial terms and on an arm's length basis. The amount receivable from CAPREIT LP (including IRES Fund Management) totalled €0.1 million as at 31 December 2018 (€0.2 million as at 31 December 2017) related to the leasing of office space and other miscellaneous expenses incurred by I-RES on behalf of CAPREIT LP).

## Notes to Consolidated Financial Statements

IRES Fund Management has multiple leases for office space with I-RES. The rental income for the office space for the year ended 31 December 2018 was €116,000 (€110,000 for the year ended 31 December 2017). The leases expire on 1 March 2020, 1 December 2020 and 1 December 2021. Minimum annual rental payments from IRES Fund Management for the next three years are as follows:

	2019	2020	2021
	€'000	€'000	€'000
Minimum annual rent payments from I-RES Fund Management	116	61	34

### **Executive Members**

Prior to 1 November 2017, the only executive member of the Board was David Ehrlich. David Ehrlich resigned as Chief Executive Officer of the Company effective 1 November 2017 to take up the role of President and Chief Executive Officer of CAPREIT, succeeding Thomas Schwartz. Mr. Ehrlich also continues to serve as a trustee of CAPREIT. Effective 1 November 2017, Mr. Ehrlich is not entitled to further remuneration under his employment agreement.

Mr. Ehrlich continued to serve on the Board of the Company as a non-executive director, as the Investment Manager's nominee. He did not receive any fees from the Company in this role. Effective 31 December 2018, David Ehrlich retired as a director of the Company.

The Company announced the appointment of Mark Kenney to the Board as a non-independent non-executive director with effect from 1 January 2019. Mr. Kenney succeeds Mr. Ehrlich as I-RES Fund Management Limited's nominee on the Board.

Certain trustees and employees of CAPREIT, and its affiliates, including David Ehrlich, have also been granted options under the Company's LTIP. During the 12 months ended 31 December 2018, David Ehrlich had exercised all of his 12,510,000 fully vested options in exchange for equivalent number of shares at a nominal value of €0.10 per share and an average exercise price of €1.02 per share. These shares were subsequently sold to CAPREIT.

Other trustees and employees of CAPREIT and its affiliates exercised 4,351,940 options in exchange for shares at an average exercise price of €1.03 per share. I-RES received net proceeds of €4.5 million upon the exercise of such options.

Effective 31 December 2018, the only executive member of the Board is Margaret Sweeney, who was appointed as the Chief Executive Officer of the Company on 1 November 2017. All other members of the Board are non-executive directors. Ms. Sweeney's total salary as at 31 December, 2018 was €350,000 and she is entitled to a bonus of up to 100% of her annual base salary, subject to approval by the Board. Ms. Sweeney does not receive any additional fees for her role as executive director of the Company.

In addition, Ms. Sweeney will be eligible to participate in the LTIP and, under her employment contract, she will be awarded options to acquire 3% of the number of shares issued by the Company from time to time pursuant to any equity raise. On 16 November 2017, Ms. Sweeney was granted 2,000,000 options. The Company also makes an employer contribution of an amount equivalent to 15% of Ms. Sweeney's base salary into a Revenue approved pension scheme. A benefit allowance equivalent to €20,000 per annum is payable by the Company to Ms. Sweeney to contribute towards the purchase of health insurance, car allowance and risk benefits.

### **Purchase of I-RES Shares**

On 15 May 2018, CAPREIT LP purchased 11,793,333 shares of I-RES. On 5 November 2018, CAPREIT LP purchased an additional 716,667 shares. As at 31 December 2018, CAPREIT LP's beneficial interest in I-RES increased to 18% (15.7% - 31 December 2017) due to the share purchases.

### **Expenses**

Total remuneration are comprised of remuneration of the non-executive Directors of €329,167 for the year ended 31 December 2018 and €312,000 for the year ended 31 December 2017, excluding remuneration related to the Chief

# Notes to Consolidated Financial Statements

Executive Officer. On 1 June 2018, an additional director was appointed to the board. No loans or quasi-loans were made to the Directors in either period.

## Owners' management companies not consolidated

As a result of the acquisition by the Group of apartments or commercial space in certain residential rental properties, the Group holds voting rights in the relevant owners' management companies associated with those developments. Where the Group holds the majority of those voting rights, this entitles it, inter alia, to control the composition of such owners' management companies' boards of directors. However, as each of those owners' management companies is incorporated as a company limited by guarantee for the purpose of owning the common areas in residential or mixed-use developments, they are not intended to be traded for gains. For these reasons, I-RES does not consider these owners' management companies to be material for consolidation, either individually or collectively. I-RES has considered the latest available financial statements of these owners' management companies in making this assessment.

Details of the owners' management companies in which the Group had an interest during the year ended 31 December 2018, along with the relevant service fees paid by the Group to them, are as follows:

Owners' Management Entity	Registered Official Address	Development Managed	Percentage of Voting Rights Held % of total <sup>(1)</sup>	Service Fees Incurred in the Period €'000	Payable by I-RES €'000	Prepaid by I-RES €'000
Majority voting rights held						
Priorsgate Estate Owners' Management Company Limited by Guarantee	Unit 4B Lazer Lane, Grand Canal Square, Dublin 2	Priorsgate	52.4	151.5	0.0	0.0
GC Square (Residential) Owners' Management Company Limited by Guarantee	Unit 4B Lazer Lane, Grand Canal Square, Dublin 2	The Marker Residences	81.0	217.4	0.0	0.0
Landsdowne Valley Owners' Management Company Limited by Guarantee <sup>(5)</sup>	Unit 4B Lazer Lane, Grand Canal Square, Dublin 2	Lansdowne Gate	78.6	441.7	0.0	0.1
Charlestown Apartments Owners' Management Company Limited by Guarantee <sup>(3)</sup>	Unit 4B Lazer Lane, Grand Canal Square, Dublin 2	Charlestown	82.5	491.3	0.0	0.0
Bakers Yard Owners' Management Company Limited By Guarantee	Ulysses House Foley Street Dublin 1	Bakers Yard	66.2	152.2	0.0	0.0
Rockbrook Grande Central Owners' Management Company Limited by Guarantee	Unit 4B Lazer Lane, Grand Canal Square, Dublin 2	Grande Central	73.5	286.6	0.0	0.0
Rockbrook South Central Owners' Management Company Limited by Guarantee	Unit 4B Lazer Lane, Grand Canal Square, Dublin 2	South Central	80.0	383.5	0.0	0.0
Rockbrook Estate Management Company Limited by Guarantee	Unit 4B Lazer Lane, Grand Canal Square, Dublin 2	Rockbrook Commercial	92.9 <sup>(2)</sup>	(3.6)	0.0	0.0
TC West Estate Management Company Limited by Guarantee	Charter House, 5 Pembroke Row, Dublin 2 D02 FW61	Tallaght Commercial	75.0	463.6	0.0	0.0
TC West Residential Owners' Management Company Limited by Guarantee <sup>(4)</sup>	Charter House, 5 Pembroke Row, Dublin 2 D02 FW62	Tallaght Residential	87.2	802.7	0.0	0.0

# Notes to Consolidated Financial Statements

Gloucester Maple Owners' Management Company Limited By Guarantee	Ti Phuirseil Freeport, Barna, Galway H91 W90P	City Square	85.7	48.9	0.0	21.8
Elmpark Green Residential Owners' Management Company Limited By Guarantee	2 Lansdowne Shelbourne Ballsbridge Dublin 4	Elmpark Green	60.5	410.1	0.0	103.2
Coldcut Owners' Management Company Limited By Guarantee	c/o Brehan Capital Partners Limited. 2nd Floor, Guild House, Guild Street Dublin 1	Coldcut Park	97.7	201.8	0.0	0.0
Minority voting rights held						
BSQ Owners' Management Company Limited by Guarantee <sup>(6)</sup>	5th Floor St Stephen's Green House Earlsfort Terrace St Stephens Green Dublin 2	Beacon South Quarter	12.7	475.4	0.0	0.0
GC Square Management Company Limited by Guarantee	2nd Floor Guild House Guild Street, Dublin 1	The Marker Commercial	48.0	0.0	0.0	0.0
Sandyford Forum Management Company Company Limited by Guarantee	28/30 Burlington Road Dublin 4	The Forum	6.3	14.0	19.2	0.0
Total				4,537.2	19.2	125.1

(1) For residential apartments the voting rights are calculated based on one vote per apartment regardless of the size of that apartment. For commercial, it is based on square footage of the units or the memorandum and articles of the particular management company.

(2) Includes voting rights controlled directly and indirectly.

(3) Formerly known as Charlestown Apartments Management Company Company Limited By Guarantee

(4) Formerly known as TC West Residential Owners Management Company Company Limited by Guarantee

(5) Formerly known as Lansdowne Valley Management Company Company Limited by Guarantee

(6) Formerly known as BSQ Management Company Company Limited by Guarantee

All of the owners' management companies are incorporated in Ireland and are property management companies. As noted above, as at 31 December 2018, €19,200 is payable and €125,000 is prepaid by the Group to the owners' management companies. As at 31 December 2017, €37,900 was payable and €191,300 was prepaid by I-RES to the owners' management companies.

## 18. Contingencies

The Group has contingent liabilities related to an income generating property, in respect of potential costs relating to certain structural remediation works, the amount of which cannot be currently measured with sufficient reliability.

## 19. Commitments

As at 31 December 2017, the Group's commitments comprised of a construction contract on a fixed price basis of €19.3 million and capital investments in investment properties of approximately €0.8 million.

In October 2018, the Company has also entered into a development agreement to develop 95 apartments for a total consideration of €26.7 million (including VAT but excluding other transactions costs).

## 20. Earnings per Share

Earnings per share amounts are calculated by dividing profit for the reporting period attributable to ordinary shareholders of I-RES by the weighted average number of ordinary shares outstanding during the reporting period.



# Notes to Consolidated Financial Statements

For the year ended	31 December 2018	31 December 2017
<b>Profit attributable to shareholders of I-RES (€'000)</b>	<b>119,785</b>	<b>65,079</b>
Basic weighted average number of shares	<b>427,164,632</b>	<b>417,292,006</b>
Diluted weighted average number of shares <sup>(1)(2)</sup>	<b>431,236,978</b>	<b>423,432,918</b>
<b>Basic Earnings per share (cents)</b>	<b>28.0</b>	<b>15.6</b>
<b>Diluted Earnings per share (cents)</b>	<b>27.8</b>	<b>15.4</b>
(1) Diluted weighted average number of shares includes the additional shares resulting from dilution of the long-term incentive plan options as of the reporting period date.		
(2) At 31 December 2018, 2,000,000 options (2017: 2,000,000) were excluded from the diluted weighted-average number of ordinary shares because their effect would have been anti-dilutive.		

EPRA issued Best Practices Recommendations most recently in November 2016, which gives guidelines for performance matters.

EPRA Earnings represents the earnings from the core operational activities (recurring items for I-RES). It is intended to provide an indicator of the underlying performance of the property portfolio and therefore excludes all components not relevant to the underlying and recurring performance of the portfolio, including any revaluation results and results from the sale of properties. EPRA Earnings per share amounts are calculated by dividing EPRA Earnings for the reporting period attributable to shareholders of I-RES by the weighted average number of ordinary shares outstanding during the reporting period.

## EPRA Earnings per Share

For the year ended	31 December 2018	31 December 2017
<b>Total comprehensive income for the year attributable to shareholders (€'000)</b>	<b>119,785</b>	<b>65,079</b>
Adjustments to calculate EPRA Earnings exclude:		
Changes in fair value on investment properties (€'000)	<b>(92,664)</b>	<b>(40,450)</b>
Changes in fair value of derivative financial instruments (€'000)	<b>659</b>	<b>241</b>
<b>EPRA Earnings (€'000)</b>	<b>27,780</b>	<b>24,870</b>
Basic weighted average number of shares	<b>427,164,632</b>	<b>417,292,006</b>
Diluted weighted average number of shares	<b>431,236,978</b>	<b>423,432,918</b>
<b>EPRA Earnings per share (cents)</b>	<b>6.5</b>	<b>6.0</b>
<b>EPRA Diluted Earnings per share (cents)</b>	<b>6.4</b>	<b>5.9</b>

## 21. Net Asset Value per Share

EPRA issued Best Practices Recommendations most recently in September 2017, which gives guidelines for performance matters.

EPRA NAV measures the fair value of net assets on an ongoing, long-term basis in accordance with guidelines issued by EPRA. EPRA NAV excludes the net mark-to-market to the value of financial instruments used for hedging purposes where a company has the intention to keep the hedge position until the end of the contractual duration, and deferred tax in respect of any difference between the fair value and the book value of the investment properties.

# Notes to Consolidated Financial Statements

## EPRA NAV per Share

As at	31 December 2018	31 December 2017
<b>Net assets (€'000)</b>	<b>618,724</b>	503,984
Adjustments to calculate EPRA net assets exclude:		
Fair value of derivative financial instruments (€'000)	913	249
<b>EPRA net assets (€'000)</b>	<b>619,637</b>	504,233
Number of shares outstanding	<b>434,153,946</b>	417,292,006
Diluted number of shares outstanding	<b>436,272,927</b>	425,453,830
Basic Net Asset Value per share (cents)	<b>142.5</b>	120.8
EPRA Net Asset Value per share (cents)	<b>142.0</b>	118.5

## 22. Directors' Remuneration, Employee Costs and Auditor Remuneration

For the year ended	31 December 2018	31 December 2017
	€'000	€'000
<b>Directors' remuneration</b>		
Short-term employee benefits	<b>1,009</b>	998
Pension Costs	<b>50</b>	8
Other benefits <sup>(1)</sup>	<b>84</b>	54
Share based payments <sup>(2)</sup>	<b>207</b>	130
<b>Total</b>	<b>1,350</b>	1,190

(1) Included in this amount is pay-related social insurance paid for the Directors and Canadian pension plan, employment insurance, medical benefits and employer health taxes paid.

(2) Included in share-based payments are 2,000,000 stock options that were anti-dilutive as at 31 December 2018.

For the year ended	31 December 2018	31 December 2017
	€'000	€'000
<b>Employment costs <sup>(1)</sup></b>		
Salaries and bonus	<b>722</b>	686
Social insurance costs	<b>48</b>	20
Pension costs <sup>(3)</sup>	<b>50</b>	8
Share-based payments <sup>(2)</sup>	<b>207</b>	107
<b>Total</b>	<b>1,027</b>	821

(1) David Ehrlich was the only permanent employee of I-RES until 31 October 2017. Commencing 1 November 2017, Margaret Sweeney succeeded David Ehrlich as the new CEO of I-RES and there are 2 permanent employees of I-RES as of 31 December 2018.

(2) Under the CAPREIT Employment Agreement, David Ehrlich received a one-time grant equal to C\$500,000 in restricted unit rights ("RURs") in 2017. For the year ended 31 December 2017, David Ehrlich received C\$125,000 as base compensation and was granted C\$125,000 as discretionary bonus, subject to approval by board of trustees of CAPREIT.

(3) Pension costs were incurred for one director (2017: nil) under a defined contribution scheme.

# Notes to Consolidated Financial Statements

For the year ended	31 December 2018 €'000	31 December 2017 €'000
<b>Auditor remuneration (including expenses)</b>		
Audit of the Group accounts	117	123
Other assurance services	15	21
Tax advisory services	-	122
<b>Total</b>	<b>132</b>	<b>266</b>

(1) I-RES has appointed KPMG as the new external auditor with effect for the financial year ending December 31 2018.

Included in the auditor remuneration for the Group is an amount of €93,000 (2017: €110,000) that relates to the audit of the Company's financial statements.

## 23. Holding Company Details

The name of the holding company of the Group is Irish Residential Properties REIT plc. The legal form of the company is a public limited company. The place of registration of the holding company is Dublin, Ireland and its registration number is 529737. The address of the registered office is Unit 4B Lazer Lane, Grand Canal Square, Dublin 2, Ireland.

## 24. Subsequent Events

On 14 February 2019, I-RES acquired 52 residential units and 61 car spaces located at The Coast, Baldoye, Dublin 13 for a total purchase price of € 13,955,000 (including VAT but excluding transaction costs). The acquisition was funded by the Company's existing credit facility.

Thirty-eight of the residential units are already leased up with 14 residential units available for immediate lease up by I-RES. Based on current annualized passing residential rents on 38 units and the lease up of the remaining 14 residential units, the asset is expected to generate a gross yield of c 6.1%.

# Supplemental Information

## **Kings Court (83 residential apartments, Smithfield, Dublin 7)**

The Company acquired Kings Court, located in Smithfield, Dublin 7, in September 2013. The development was constructed in 2006 and is a residential development consisting of 83 residential apartments dispersed over four blocks. The entire development is constructed over a common basement with 65 car park spaces. The Company's 83 residential apartments consist of 25 one-bedroom, 54 two-bedroom and four three-bedroom residential apartments.

This development also has 566 sq. m. (6,093 sq. ft.) of commercial space, all of which is owned by the Company.

## **Grande Central (65 residential apartments, Sandyford, Dublin 18)**

The Company acquired Grande Central, located in Sandyford, Dublin 18, in September 2013. The development was constructed in 2007 and is a residential development located within the suburb of Sandyford, Dublin 18, approximately 8 km south of Dublin City Centre. The development is on a 0.5 ha (1.2 acre) site and consists of a purpose-built apartment block with 195 residential apartments, 65 of which are owned by the Company. The entire development is constructed over a common basement with a single car park space per residential apartment. The Company's 65 residential apartments consist of 10 one-bedroom, 34 two-bedroom and 21 three-bedroom residential apartments.

## **Priorsgate (103 residential apartments, Tallaght, Dublin 24)**

The Company acquired Priorsgate, located in Tallaght, Dublin 24, in September 2013. The development was constructed in 2007 and is a residential development on a 1.1 ha (2.6 acre) site located approximately 10 km southwest of Dublin City Centre. The development consists of 199 residential apartments dispersed over three blocks, 103 of which are owned by the Company. The Company's 103 residential apartments, which are dispersed over the three blocks, consist of 49 one-bedroom, 48 two-bedroom, five three-bedroom and one four-bedroom residential apartments.

The Company also owns eight adjacent commercial units with a total of 2,538 sq. m. (27,316 sq. ft.) of space. The entire development is constructed over a common basement with a single car park space per residential apartment.

Included with the property is an adjoining detached building on a 0.18 ha (0.44 acre) site known as Bruce House Site.

## **Camac Crescent (90 residential apartments, Inchicore, Dublin 8)**

The Company acquired Camac Crescent, located in Inchicore, Dublin 8, in September 2013. The development was constructed in 2008 and is a residential development on a 0.56 ha (1.4 acre) site located in Inchicore, Dublin 8, approximately 3 km west of Dublin City Centre. The development consists of 110 residential apartments dispersed over six blocks, 90 of which are owned by the Company. The entire development is constructed over a common basement with a single car park space per residential apartment. The Company's 90 residential apartments consist of 21 one-bedroom, 49 two-bedroom and 20 three-bedroom residential apartments.

## **The Laurels (19 residential apartments, Tallaght, Dublin 24)**

The Company acquired the Laurels, located in Tallaght, Dublin 24, in June 2014. The development was constructed in 2007 and consists of 19 residential apartments, all of which are owned by the Company. The Laurels consists of four one-bedroom, 13 two-bedroom and two three-bedroom residential apartments.

The Company also owns 190 sq. m. (2,045 sq. ft.) of commercial space in the form of one large unit which could be split into two units.

## **The Marker Residences (85 residential apartments, Grand Canal Dock, Dublin 2)**

The Company acquired the Marker Residences, located in the Grand Canal Dock area of Dublin 2, in July 2014. The development was constructed in 2012 and consists of 105 luxury residential apartments, 85 of which were acquired by

the Company, and approximately 1,218 sq. m. (13,111 sq. ft.) of commercial space, all of which was acquired by the Company. The Company's 85 residential apartments are all two-bedroom residential apartments.

#### **Beacon South Quarter (225 residential apartments Sandyford, Dublin 18)**

The Company acquired Beacon South Quarter, located in Sandyford, Dublin 18, in October 2014. The development was constructed in 2007/2008 and is a landmark mixed-use development on 5.3 ha (13 acres). A number of major employers are located in the immediate neighbourhood, including Vodafone, Merrill Lynch and Microsoft, and the development is adjacent to the LUAS light rail line to the city centre. The Beacon South Quarter development includes many high-end occupiers, including private medical care, leisure and a selection of food and lifestyle shops. The development consists of 880 luxury residential apartments, 225 of which are owned by the Company. The Company's 225 residential apartments consist of 26 one-bedroom, 173 two-bedroom and 26 three-bedroom residential apartments.

The Company also owns approximately 2,395 sq. m. (25,777 sq. ft.) of ancillary commercial space within the development.

In addition, the Company owns two adjacent development sites and one former site that has now been developed into The Maple (see page 71) and 6,847 sq. m. (73,701 sq. ft.) of commercial space.

For the year ended 31 December 2017, the Company has made property capital investments in this property related primarily to in-suit improvements. In addition to the capital expenditure work that has already been completed, I-RES is working with Beacon South Quarter's owner management company to resolve water ingress and fire remediation works previously identified.

#### **Charlestown (235 residential apartments Finglas, Dublin 11)**

The Company acquired Charlestown, a mixed-use development set on 16.2 ha (40 acres) in Finglas, Dublin 11, in October 2014. The development was constructed in 2007 and consists of 285 residential apartments, 235 of which are owned by the Company. The Company's 235 residential apartments consist of 36 one-bedroom, 164 two-bedroom and 35 three-bedroom residential apartments.

The overall development comprises facilities for tenants including a shopping centre, a medical centre and a variety of leisure and restaurant operators. The property is located approximately 9.5 km from Dublin City Centre and 8 km from Dublin airport and is adjacent to the main M50 and M2 transportation corridors.

#### **Bakers Yard (86 residential apartments Portland Street North, Dublin 1)**

The Company acquired Bakers Yard, an apartment development on 0.6 ha (1.4 acres) adjacent to Dublin City Centre in Dublin 1, in October 2014. The development was constructed in 2007/2008 and is within walking distance of many large government and private sector employers, as well as local and national public transport infrastructure. The development consists of 132 residential apartments, 85 of which are owned by the Company. The Company's 86 residential apartments consist of 13 one-bedroom, 61 two-bedroom and 12 three-bedroom residential apartments.

The Company also owns approximately 792 sq. m. (8,525 sq. ft.) of ancillary commercial space within the development. In addition, the Company owns an adjoining 0.18-ha (0.45-acre) site with planning consent for a further 55 residential apartments and three ground-floor commercial units.

#### **Lansdowne Gate (224 residential apartments Drimnagh, Dublin 12)**

The Company acquired Lansdowne Gate, a superior quality development on 2.2 ha (5.5 acres) in Drimnagh, Dublin 12, in October 2014. The development consists of 280 residential apartments, 224 of which are owned by the Company, set in 11 blocks over semi-basement car parking, with the benefit of a centralised district heating system, landscaped gardens and a children's playground. The Company's 224 residential apartments consist of 23 one-bedroom, 146 two-bedroom and 55 three-bedroom residential apartments.

The development was constructed in 2005 and is located adjacent to the LUAS light rail system, 5 km from the city centre and within walking distance of numerous large employers, as well as shopping and leisure facilities.

**Rockbrook Grande Central and Rockbrook South Central (“Rockbrook Portfolio”) (270 residential apartments, Sandyford, Dublin 18)**

The Company acquired the Rockbrook Portfolio, located in Sandyford, Dublin 18, in March 2015 via the acquisition of IRES Residential Properties Limited. The development consists of 270 residential apartments and approximately 4,665 sq. m. (50,214 sq. ft.) of mixed-use commercial space. The portfolio also includes a development site of approximately 1.13 ha (2.8 acres) and associated basement car parking. The property is located close to the Stillorgan LUAS light rail system stop, in an area serviced by numerous bus routes. Located nearby are the UPMC Beacon Hospital and large employers such as Microsoft, Vodafone, Volkswagen and the Clayton Hotel. The Company’s 270 residential apartments consist of 46 one-bedroom, 203 two-bedroom and 21 three-bedroom residential apartments.

The portfolio also includes a development site of approximately 1.13 ha (2.8 acres) and associated basement car parking. The Company submitted a planning application in December 2018 to build 428 residential units on this site.

**Tyrone Court (95 residential apartments, Inchicore, Dublin 8)**

The Company acquired Tyrone Court, located in Inchicore, Dublin 8, in June 2015. The development was constructed in 2014 and consists of 131 apartments across four residential apartment blocks, 95 of which are owned by the Company. The Company’s 95 residential apartments consist of four three-bedroom duplex units, three three-bedroom, 64 two-bedroom and 24 one-bedroom apartments.

The property is located in an established residential area close to Drimnagh Station, which is a 15-minute commute to City Centre. Located nearby are St. James’s Hospital, Inchicore College, the Central Criminal Court and Heuston Station, all of which provide a strong employment centre and tenant market.

**Bessboro (40 residential apartments, Terenure, Dublin 6)**

The Company acquired Bessboro, located in Terenure, Dublin 6, in December 2015. The development was constructed in 2008 and consists of 40 residential apartments, all of which are owned by the Company. The Company’s 40 residential apartments consist of six one-bedroom, 32 two-bedroom and two three-bedroom apartments.

Bessboro provides a strong suburban location only 7 km from Dublin City Centre and 4.6 km from the M50 motorway. The location provides a range of amenities including shops, schools, bars and restaurants, all within walking distance of Bessboro and also in close proximity to Bushy Park, golf and rugby clubs.

**Tallaght Cross West (442 residential apartments, Tallaght, Dublin 24)**

The Company acquired Tallaght Cross West, located in Tallaght, Dublin 24, in January 2016. The development was constructed in 2008 and consists of 507 residential apartments, 442 of which are owned by the Company. The Company’s 442 residential apartments consist of 161 one-bedroom, 237 two-bedroom and 44 three-bedroom residential apartments.

The Company also owns 18,344 sq. m. (197,460 sq. ft.) of commercial space and associated underground car parking. The Company has received a grant of planning permission for the conversion of unused commercial spaces to 18 residential apartments.

**The Forum (8 residential apartments, Sandyford, Dublin 18)**

The Company acquired The Forum, located in Sandyford, Dublin 18, in February 2016. The development was constructed in 2007 and consists of 127 residential apartments, eight of which, along with 11 basement car parking spaces, are owned by the Company. The Company’s eight residential apartments consist of one one-bedroom and seven two-bedroom residential units.

The Forum is located on the LUAS tram line and next to the Royal College of Surgeons’ Sandyford facility. The development is also adjacent to the Company’s Rockbrook and Beacon South Quarter portfolios.

**City Square (23 residential apartments, Gloucester Street, Dublin 2)**

The Company acquired City Square, located on Gloucester Street, Dublin 2, in April 2016. The development was constructed in 2006 and consists of 27 apartments, 23 of which are owned by the Company. The Company's 23 residential units consist of 15 one-bedroom and eight two-bedroom residential units.

The property is located near Trinity College and the River Liffey, and close to LUAS and DART lines.

**Elmpark Green (201 residential apartments, Merrion Road, Dublin 4)**

The Company acquired Elmpark Green, located in Merrion, Dublin 4, in May 2016. The Company's 201 residential apartments consist of 101 one-bedroom, 96 two-bedroom and four three-bedroom residential apartments.

The development was constructed in 2006, and consists of 332 apartments, 201 of which are owned by the Company. Elmpark Green is located near Merrion, Blackrock and Frascati Shopping Centre, and is also adjacent to the Elm Park Golf and Sports Club, as well as St. Vincent's University Hospital.

**Coldcut Park (90 residential apartments, Clondalkin, Dublin 18)**

The Company acquired Coldcut Park, located on Coldcut Road in Clondalkin, Dublin 18, in August 2016. The Company's 90 residential apartments consist of 18 one-bedroom, 22 two-bedroom, 33 three-bedroom and 17 four-bedroom residential apartments.

The development was constructed in 2012, and consists of 93 apartments, 90 of which are owned by the Company. The property is located near Liffey Valley Shopping Centre, LUAS Red Line and Cherry Orchard Railway Station.

**The Maple (68 residential apartments, Sandyford, Dublin 18)**

The Company completed the construction of The Maple, located in Sandyford, Dublin 18, in July 2017. The development consists of 68 residential apartments, all of which are owned by the Company. By apartment type, The Maple comprises four one bedroom, 55 two bedroom and nine three bedroom apartments.

The development is conveniently located near UPMC Beacon Hospital, BSQ Shopping Centre and transportation links such as Stillorgan LUAS stop

**2018 Completed Developments and Acquisitions**

See Completed Developments and High Quality Acquisitions under the Business Review section of the Investment Manager's Review on page 11 for details on the following properties.

**Hansfield Wood, Dublin 15 (Phase I) (99 residential units)****The Square, Hampton Wood, Finglas, Dublin 15 (128 apartments)**

# Glossary of Terms

The following explanations are not intended as technical definitions, but rather are intended to assist the reader in understanding terms used in this Report.

<b>“Annualised Passing Rent”</b>	Defined as the annualised cash rental income being received as at the stated date;
<b>“Average Monthly Rent (AMR)”</b>	Actual monthly residential rents, net of vacancies, as at the stated date, divided by the total number of apartments owned in the property;
<b>“Basic Earnings per share (Basic EPS)”</b>	Calculated by dividing the profit for the reporting period attributable to ordinary shareholders of the Company in accordance with IFRS by the weighted average number of ordinary shares outstanding during the reporting period;
<b>“Capitalisation Rate”</b>	The rate of return on a property investment based on current and projected future revenue streams that such property investment will generate;
<b>“Companies Act, 2014”</b>	The Irish Companies Act, 2014;
<b>“Diluted weighted average number of shares”</b>	Includes the additional shares resulting from dilution of the long-term incentive plan options as of the reporting period date;
<b>“EPRA”</b>	The European Public Real Estate Association;
<b>“EPRA Diluted EPS”</b>	Calculated by dividing EPRA Earnings for the reporting period attributable to shareholders of the Company by the diluted weighted average number of ordinary shares outstanding during the reporting period. EPRA Earnings measures the level of income arising from operational activities. It is intended to provide an indicator of the underlying income performance generated from leasing and management of the property portfolio, while taking into account dilutive effects, and therefore excludes all components not relevant to the underlying net income performance of the portfolio, such as unrealised changes in valuation and any gains or losses on disposals of properties;
<b>“EPRA EPS”</b>	Calculated by dividing EPRA Earnings for the reporting period attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period. EPRA Earnings measures the level of income arising from operational activities. It is intended to provide an indicator of the underlying income performance



generated from leasing and management of the property portfolio and therefore excludes all components not relevant to the underlying net income performance of the portfolio, such as unrealised changes in valuation and any gains or losses on disposals of properties;

<b>“EPRA NAV”</b>	Measures the fair value of net assets on an ongoing, long-term basis in accordance with guidelines issued by EPRA while taking into account dilutive effects of any options, convertibles, or other financial instruments. The EPRA NAV excludes the net mark-to-market to the value of financial instruments used for hedging purposes and where a company has the intention to keep the hedge position until the end of the contractual duration, and deferred tax in respect of any difference between the fair value and the book value of the investment properties;
<b>“EPRA NAV per share”</b>	Calculated by dividing EPRA NAV by the diluted number of ordinary shares outstanding as at the end of the reporting period;
<b>“Equivalent Capitalisation Rate”</b>	The Equivalent Capitalisation Rate is calculated as the Stabilised NRI divided by the fair value of the investment property;
<b>“Group Total Gearing”</b>	Calculated by dividing the loan drawn down by the market value of the Group’s investment properties;
<b>“Gross Yield”</b>	Calculated as the Annualised Passing Rent as at the stated date, divided by the fair value of the investment properties, excluding fair value of development land and investment properties under development as at the reporting date;
<b>“Irish REIT Regime”</b>	Means the provisions of the Irish laws and regulations establishing and governing real estate investment trusts, in particular but without limitation section 705A of the Taxes Consolidation Act, 1997 (as inserted by section 41(c) of the Finance Act, 2013), as amended from time to time;
<b>“Market Capitalisation”</b>	Calculated as the closing share price multiplied by the number of shares outstanding;
<b>“Net Asset Value” or “NAV”</b>	Calculated as the value of the Group’s or Company’s assets less the value of its liabilities measured in accordance with IFRS;
<b>“Net Asset Value per share”</b>	Calculated by dividing NAV by the basic number of ordinary shares outstanding as at the end of the reporting period;

<b>“Net Rental Income (NRI)”</b>	Measured as property revenue less property operating expenses;
<b>“Net Rental Income Margin”</b>	Calculated as the NRI over the revenue from investment properties;
<b>“Occupancy Rate”</b>	Calculated as the total number of apartments occupied over the total number of apartments owned as at the reporting date;
<b>“Property Income”</b>	As defined in section 705A of the Taxes Consolidation Act, 1997. It means, in relation to a company or group, the Property Profits of the company or group, as the case may be, calculated using accounting principles, as: (a) reduced by the Property Net Gains of the company or group, as the case may be, where Property Net Gains arise, or (b) increased by the Property Net Losses of the company or group, as the case may be, where Property Net Losses arise;
<b>“Property Profits”</b>	As defined in section 705A of the Taxes Consolidation Act, 1997;
<b>“Property Net Gains”</b>	As defined in section 705A of the Taxes Consolidation Act, 1997;
<b>“Property Net Losses”</b>	As defined in section 705A of the Taxes Consolidation Act, 1997;
<b>“Property Rental Business”</b>	As defined in section 705A of the Taxes Consolidation Act, 1997;
<b>“Sq. ft.”</b>	Square feet;
<b>“Sq. m.”</b>	Square metres;
<b>“Stabilised NRI”</b>	Measured as property revenue less property operating expenses adjusted for market-based assumptions such as long-term vacancy rates, management fees, repairs and maintenance;
<b>“Vacancy Costs”</b>	Defined as the value of the rent on unoccupied residential apartments and commercial units for the specified period.

# Forward-Looking Statements – Preliminary Results

## **I-RES Disclaimer**

This announcement includes statements that are, or may be deemed to be, forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "anticipates", "believes", "estimates", "expects", "intends", "plans", "projects", "may" or "should", or, in each case, their negative or other comparable terminology, or by discussions of strategy, plans, objectives, trends, goals, projections, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this announcement and include, but are not limited to, statements regarding the intentions, beliefs or current expectations of I-RES concerning, amongst other things, its results of operations, financial position, liquidity, prospects, growth, strategies and expectations for its industry. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of I-RES and/or the industry in which it operates to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. As a result, you are cautioned not to place any reliance on such forward-looking statements and neither the Company nor any other person accepts responsibility for the accuracy of such statements.

Nothing in this announcement should be construed as a profit forecast or a profit estimate.

The forward-looking statements referred to in this announcement speak only as at the date hereof. I-RES expressly disclaims any obligation or undertaking to release publicly any revision or updates to these forward-looking statements to reflect any change in (or any future) events, circumstances, conditions, new information or any change in the Company's expectations or otherwise except as required by law, regulation or by any appropriate regulatory authority.

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### STOCK EXCHANGE LISTING

Shares of I-RES are listed on Euronext Dublin under the trading symbol "IRES".