Building Communities and Creating Value

Building Communities and Creating Value
Irish Residential Properties REIT plc 2018 Annual Report

better living made simple

Tallaght Cross West residents Mustafa Nadir and his two children

> "Safety and a high level of service commitment to our customers are paramount to how we manage our portfolio. Everyone on the operations team believes that the most important measure of our success is the experience of our tenants."
>
> **ALAN KAVANAGH**
> Senior Director, Operations

Bessboro residents David Doyle and Melissa Byrne

> "The on-site team gets everything done with speed and efficiency. If we ever need anything, they are on hand and have it within a day. We cannot say enough about the service they provide."
>
> **DAVID DOYLE and MELISSA BYRNE**
> residents, Bessboro, Terenure

Corporate Profile

Irish Residential Properties REIT plc (the **"Company"** or **"I-RES"** or **"Group"**) is a growth-oriented Real Estate Investment Trust (**"REIT"**) that owns 2,679 apartments in Dublin, Ireland. As one of the largest residential property owners in Ireland, the Company is focused on acquiring, holding, managing and developing investments primarily focused on residential rental accommodations in Ireland. The Company's shares are listed on the Main Securities Market of Euronext Dublin (ISE: IRES). For more information, please visit the Company's website at www.iresreit.ie.

Financial Performance

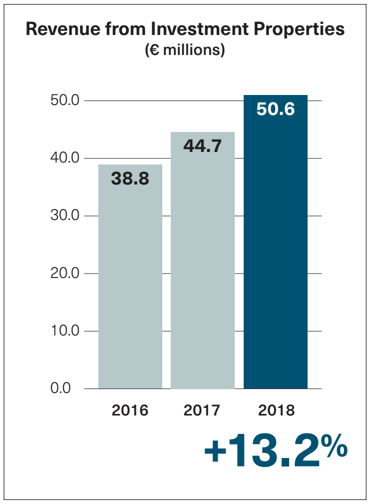
For the year ended 31 December	2018	2017
Operating Performance		
Revenue from Investment Properties (€ millions)	**50.6**	44.7
Net Rental Income (€ millions)	**41.2**	36.3
Profit (€ millions)	**119.8**	65.1
Basic EPS (cents)	**28.0**	15.6
EPRA Earnings (€ millions)	**27.8**	24.9
EPRA Earnings per share (cents) [2]	**6.5**	6.0
Portfolio Performance		
Total Number of Residential Units at year end	**2,679**	2,450
Overall Portfolio Occupancy Rate [2]	**99.8%**	99.8%
Overall Portfolio Average Monthly Rent (€) [2]	**1,599**	1,517
Gross Yield at Fair Value [1, 2]	**6.1%**	6.6%

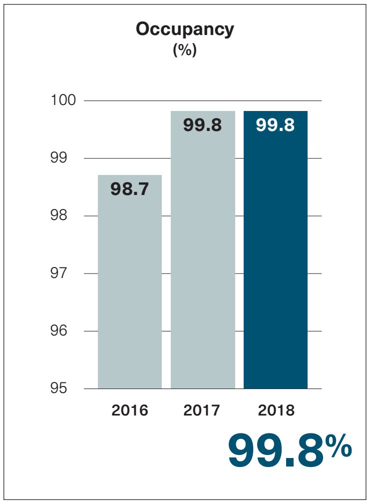
As at 31 December	2018	2017
Liquidity and Leverage		
Total Property Value (€ millions)	**921.3**	750.9
Net Asset Value (€ millions)	**618.7**	504.0
EPRA Net Asset Value (€ millions)	**619.6**	504.2
Basic NAV per share (cents)	**142.5**	120.8
EPRA NAV per share (cents) [2]	**142.0**	118.5
Group Total Gearing [3]	**33.6%**	33.0%
Other		
Market Capitalisation (€ millions)	**586.1**	625.9
Weighted Average Number of Shares – Basic	**427,164,632**	417,292,006

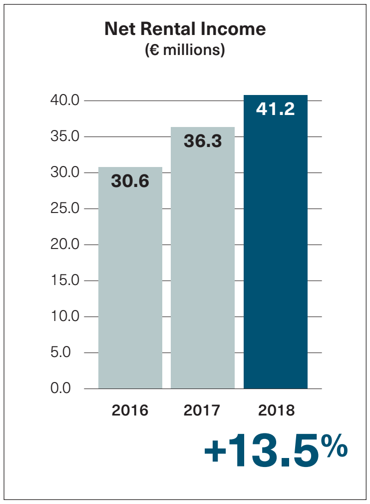
1 Excluding fair value of development land and investment properties under development.
2 For definitions, method of calculation and other details, refer to page 27 to 28 of Business Performance Measures under the Business Review section of the Investment Manager's Review.
3 For definitions, method of calculation and other details, refer to page 27 of Liquidity and Financial Condition under the Operational and Financial Review.

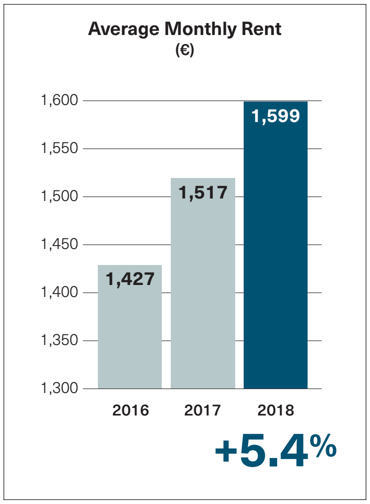
Another Successful Year

Strong Operating Performance >>> I-RES' portfolio is comprised of a strong collection of 2,679 high-quality, modern assets with an average age of 9.5 years. Properties are in desirable locations in Dublin and attract tenants interested in long-term accommodation, which generates steadily growing dividends for investors.

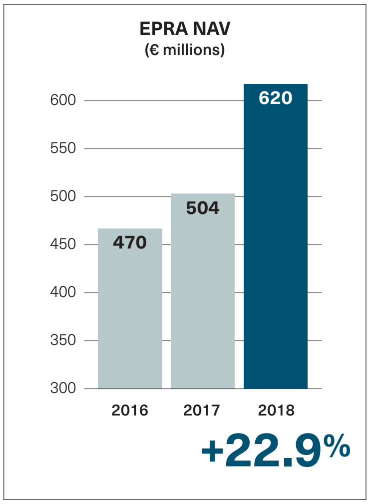


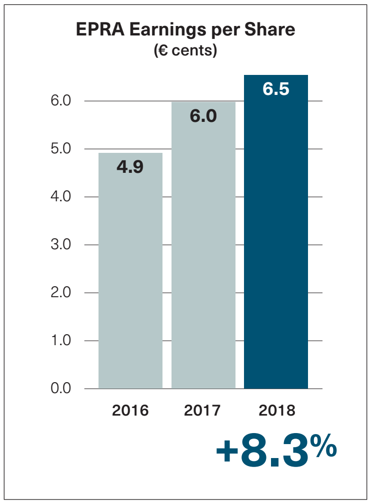


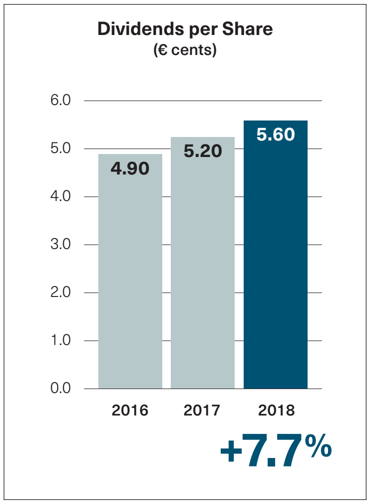




Growing Values and Returns to Shareholders >>> With steadily growing rental income, an historically low interest rate environment, a strong balance sheet and additional lands for future development, I-RES REIT is building a leading residential rental business and generating strong shareholder returns.







01

Submitted planning applications for all of our existing I-RES properties: By the end of 2018, all of our development sites had been placed into the planning process for an addition of circa 600 units, with a number of significant planning grants having already been achieved.

02

Acquired a completed development: In May 2018, we acquired 128 apartments with 128 car parking spaces at The Square, Hampton Wood, Finglas, Dublin 11. All apartments were leased by year end.

03

Launched a new development: In September 2018, we acquired a 1.3 acre development site in Hansfield Wood, Dublin 15 to develop 99 apartments, thereby launching Phase II of our project at this site.

04

Engaged in a new partnership: In November 2018, we entered a share-purchase agreement with DHGL Limited to acquire shares in Bayvan Limited, which owns a prime development site on Merrion Road, Dublin 4, with planning permission secured for 69 residential units.

05

Development and acquisition: The company has development and acquisition capacity of €180 million at 31 December 2018 based on target gearing of 45%, subject to availability of debt. I-RES is in the process of refinancing its credit facility.

Our Strategy for Growth

Our growth strategy meets the needs of the Irish residential rental market through measured and disciplined investments in development and acquisitions. By investing in additional supply of new rental accommodation, we are making a long-term commitment to addressing the shortage of housing.

How We Build Our Portfolio

01

Favourable market conditions

Macroeconomic trends, demographic shifts and market conditions create strong fundamentals for the Private Rental Sector in Ireland that enable us to deliver high-quality value for tenants and investors now and in the future.

02

Acquisition of quality completed assets

In order to grow our portfolio, we continue to seek accretive acquisitions of completed assets within Dublin and its commuter zones and other urban centres.

03

Development partnerships

One major challenge for the development industry in Ireland is a lack of credit, with the stock of bank lending for residential development and investment having fallen by close to 90% since late 2010.[1] This creates an opportunity for I-RES REIT, because our strong balance sheet enables us to grow our portfolio by providing financing for projects with local builders and developers that have planning permissions in place. We have committed to forward purchase agreements that will deliver 165 units in the next three years.

04

Development and intensification of existing properties

We own a number of well-located development sites that have the capacity to deliver circa 600 new apartments (subject to planning permission). As of the 2018 year end, we have placed all of our development sites into the planning process, and a number of significant planning grants have already been achieved.

1 On Balance, the Outlook Remains Positive by Philip O'Sullivan



Favourable Market Conditions

18,072

Housing completions in Ireland for the year 2018

30-50K

Required number of housing completions per annum

20%

Projected growth of the Irish population by 2040, to roughly 5.7 million people[2]

660,000

Number of jobs estimated to be created in Ireland by 2040[2]

01

Demand Outweighs Supply

- Housing completions in Ireland for 2018 were 18,072[3] units, compared to the required level of between 30,000 and 50,000 per annum[4]
- There were 3,216 units available to rent in Ireland as of February 2019 – 74% below the long-term average[4]

02

Economic Growth

- Ireland remains the fastest growing economy in Europe
- 50,500[6] new jobs created and 7.5%[5] GDP growth in 2018
- Ongoing investment in the Irish economy from multinational corporations in the technology and services sectors
- Ireland is the top destination in the world for Foreign Direct Investment[7]

03

Population Growth

- Young and steadily growing population and workforce, both Irish-born and international migrants
- As of April 2018, the population had grown 1.3% year over year,[8] the fastest rate of growth recorded in the past 10 years[9]
- 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[8]

04

Irish Housing Market

- Proportion of urban homes owned through a mortgage or loan fell from 40% in 2006 to 30% in 2016. In the same period, renting overtook home ownership (with or without a mortgage) to become the predominant tenure status in urban areas, rising from 27% in 2006 to 36% in 2016.

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2 Economics and Social Research Institute (ESRI) Prospects for Irish Regions and Counties: Scenarios and Implications – December 2017 as quoted in Project Ireland 2040 – National Planning Framework

3 Department of Housing

4 Economic and Social Research Institute and Daft.ie

5 Central Statistics Office – 2018

6 Central Statistics Office – Q4 2018 Labour Force Survey

7 IBM Global Location Trends Facts and Figures 2016 as quoted in IDA How Ireland Compares – Summer 2017

8 Central Statistics Office – CSO statistical release, 28 August 2018, Population and Migration Estimates April 2018

9 Irish Economy Monitor Q3 2018 by Philip O'Sullivan (Investec)

Delivering on the Strategy

Development and Acquisition Highlights >>> To grow our portfolio, we continue to pursue development and seek accretive acquisitions and pre-purchase partnership commitments within Dublin and its commuter zones and other urban centres in Ireland. We focus on diverse and attractive urban locations that are family friendly and feature local employment opportunities, good transportation links and community development activities.

Completed Developments

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

During 2018, we took delivery of 99 residential units from our first acquisition in partnership with a local builder, Garlandbrook Limited, at Hansfield Wood, Dublin 15.

- 4.5 acre development site with a purchase price of €7 million in November 2017
- Development of 99 residential units for total consideration of €23 million (including VAT, but excluding other transaction costs)
- 30-minute travel time via regular rail link to Dublin City Centre
- All apartments successfully leased at an expected gross yield of circa 7%
- Amenities include transportation, schools, hospital, retail and leisure

High-Quality Acquisitions

The Square, Hampton Wood, Finglas, Dublin 11
(128 apartments)

In May 2018, we acquired 128 apartments with 128 car parking spaces at The Square, Hampton Wood, Finglas, Dublin 11.

- Acquisition cost was €39.995 million (including VAT, but excluding other transaction costs)
- Following the acquisition, all apartments were successfully leased
- Investment anticipated to generate gross yields of circa 7%
- Located close to the Charlestown development (1 km), where I-RES owns 235 apartments

Partnerships and Forward Purchase Contracts

Hansfield Wood (Phase II), Dublin 15
(95 apartments)

In September 2018, we acquired a 1.3 acre development site in Hansfield Wood, Dublin 15. The Company also entered into a development agreement with Garlandbrook Limited, as developer, and Newline Homes Limited, as building contractor.

- Site purchase price was €3.325 million (including VAT, but excluding other transaction costs)
- Development agreement for 95 apartments for a total consideration of €26.675 million (including VAT, but excluding other transaction costs)
- Adjacent to the residential units at Hansfield Wood Phase I development
- Construction began in July 2018, with completion expected by July 2020
- Excellent infrastructure and amenities, including road and rail transport, schools, hospital, retail and leisure facilities
- Significant employers in the immediate vicinity

Merrion Road, Dublin 4
(up to 69 residential units)

In November 2018, we entered into a share purchase agreement with DHGL Limited to acquire shares in Bayvan Limited, which owns a prime development site located on Merrion Road, Dublin 4, with planning permission secured for 69 residential units.

- Overall value of transaction is €47.16 million (including VAT, but excluding other transaction costs)
- Adjacent to the Elmpark development, where we own and operate 201 apartments
- Highly specified apartments with sea views across Dublin Bay
- Excellent infrastructure, including road and rail transport, schools, hospitals, retail and leisure facilities nearby
- The scheme is expected to be handed over turn-key for leasing around Q4 2020 (long stop Q4 2021)

Professionally Managed Properties

01
Transforming the Rental Market
We are transforming the residential rental market in Ireland by offering professional property management. In particular, we offer a dedicated property manager and on-site team for each building.

02
Hands-On Approach
We adhere to a high level of service and safety, including in-house standards, such as bi-annual fire drills, that exceed statutory regulations. We offer a 24-hour on-call service for emergencies such as loss of heat, water or essential services.

03
Staff Training
Our operations staff are well trained. They participate in regular external and internal career development programmes in areas such as property management, health and safety, and process efficiencies.

The I-RES Advantage

Dedicated property manager for every building

On-site team of trades and caretakers

In-house standards for safety exceed regulations

24-hour emergency line

Extensive training and development for all team members

Advanced technology platform to ensure efficiency and enhance the tenant experience

A Place to Call Home

By offering high-quality living spaces and professional service around the clock, we attract tenants who put down roots and stay.

I-RES isn't just letting buildings. We are investing in communities. We are providing a desirable standard of living.

Contents

Review

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, I-RES 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 the 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 acquisitions.

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 was 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.

Director changes

The Board would like to thank David Ehrlich for his contribution to I-RES. David retired as a director of the I-RES Board and as the CEO of CAPREIT on 31 December 2018. We would like to welcome Mark Kenney, President and COO of CAPREIT, as a director of the I-RES Board commencing 1 January 2019.

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 and, 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

"I-RES continues to transform local tenant expectations of landlords through its model of professional property management, high-quality assets and excellent service."

DECLAN MOYLAN
Chairman, I-RES Board of Directors

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, 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 rental accommodation in the Irish market and continued growing demand, 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, the 128 residential units at Hampton Woods were fully leased.

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 at 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 Park.

The pre-development application for 428 residential units at Rockbrook has been submitted to the Planning Authority. The Company led a thorough pre-development process through 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 units were leased up.

In October 2018, I-RES entered into a second development agreement at Hansfield Wood, Dublin 15 (the "Hansfield Site"), acquiring a 1.3 acre development 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 circa 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, Dublin 4, which has the benefit of planning permission for 69 residential units. The company will acquire the shares in Bayvan on practical completion of the units, which is expected to be on or around Q4 2020, with a long-stop date of 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 one gross yield of circa 5.6%, growing to 6.09% in year three.

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, at standards that aim to deliver both the best possible investment returns and operational performance, including monitoring and managing risks 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:

Statement of Financial Position

As at 31 December	2018	2017
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%

Statement of Profit or Loss and Other Comprehensive Income

For the period ended 31 December	2018	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 at 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 cents 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 declared 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 22 February 2019, which would bring the total dividend for the year to 5.6 cents per share, representing an increase of 7.7%.

> "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."
>
> **MARGARET SWEENEY**
> Chief Executive Officer

> "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."

MARGARET SWEENEY
Chief Executive Officer

Strategy for Future Growth

I-RES 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 circa 23%. In 2018 planning applications were submitted for all of these sites, of which the Company had received planning permissions to build 80 residential units at 31 December 2018.

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 Wood Phase I was completed, delivering 99 residential units, and I-RES entered into a further development agreement for Hansfield Wood 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, less than the estimated requirement of 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 up 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 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 in 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

Margaret Sweeney
Chief Executive Officer

Investment Manager's Statement

It was a very good year for our team in Ireland, solidifying 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,

Investment Manager's Statement

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, in December 2018 we fulfilled our 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 circa 23% for our own sites and development partnership agreements announced.

Future progress will build on the existing base of properties we have already acquired and developed – 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 relationships 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

Prime Dublin Locations

Diversified and desirable, the I-RES REIT portfolio of high-quality properties is dispersed across Dublin's city centre and commuter zones, offering family-friendly locations that feature strong local employment, major transport links and vibrant community development activities.

Property Portfolio Valuation and Overview

The following table provides the Group's property portfolio valuation as at 31 December 2018 compared to 31 December 2017. There were no dispositions during the year.

Property and Location	Year Built	Date Acquired	Commercial Space Owned (sq. m.) (1)	Number of Apartments Owned (1)	Total Number of Apartments (1)	Purchase Price (3)(5)	Value as at 31 December 2017 (5)	Value as at 31 December 2018 (1)(5)
City Centre								
1 Kings Court, Smithfield	2006	10-Sep-13	566	83	83	€ 12.5	€ 21.3	€ 23.7
2 The Marker, Docklands (6)	2012	18-Jul-14	1,218	85	105	50.1	63.1	72.3
3 Bakers Yard, Portland Street North (8)	2007-08	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
Total City Centre			**2,633**	**277**	**348**	**€ 85.8**	**€ 113.0**	**€ 130.2**
Prime Suburbs								
5 Beacon South Quarter, Sandyford	2007-08	07-Oct-14	2,395	225	880	86.3	82.2	85.1
6 Grande Central, Sandyford (2)	2007	10-Sep-13	–	65	195	11.4	22.4	25.1
7 Rockbrook Grande Central, Sandyford (2)(4)	2007	31-Mar-15	3,529	81	195	24.8	30.2	33.0
8 Rockbrook South Central, Sandyford (4)	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
Total Prime Suburbs			**7,060**	**877**	**1,866**	**€ 275.9**	**€ 319.8**	**€ 354.6**
Secondary Suburbs								
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 (9)	2012	31-Aug-16	–	90	94	18.5	20.1	21.2
Total Secondary Suburbs			**21,072**	**889**	**1,104**	**€ 163.7**	**€ 195.6**	**€ 226.1**
Inchicore/Drimnagh								
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
Total Inchicore/Drimnagh			**–**	**409**	**521**	**89.8**	**110.8**	**121.4**
Total owned portfolio as at 31 December 2017			**30,765**	**2,452**	**3,839**	**€ 615.2**	**€ 739.2**	**€ 832.2**
21 Hansfield Wood I, Ongar (9)	2018	15-Nov-17	–	99	99	31.6	11.6	37.3
Hansfield Wood II, Ongar (7)	2018	08-Oct-18	–	–	95	10.5	n/a	10.5
22 Hampton Wood, Finglas	2018	21-May-18	–	128	128	40.0	n/a	41.3
Total investment properties owned as at 31 December 2018			**30,765**	**2,679**	**4,161**	**€ 697.3**	**€ 750.8**	**€ 921.3**

(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 in Q4 2018.
(9) On 15 November 2017, I-RES acquired the land for €7 million. 99 residential units were transferred to I-RES throughout 2018.

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 circa 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 being 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 (one 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 1.8 ha (4.5 acre) development site at Hansfield Wood with planning permission for 99 residential units (73 three-bedroom townhouses and 26 apartments). The Company also entered into a development agreement with Garlandbrook 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 had successfully leased 98 residential units as at 31 December 2018.

High-Quality Acquisitions in 2018

The Marker, Grand Canal, Dublin 2 (one residential unit)

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

The Square, Hampton Wood, Finglas, Dublin 11 (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 km), Dublin Airport (6.5 km), Northwood Business Park (2.5 km) and Dublin City Centre (8.5 km). The scheme is also located close to the Charlestown development (1 km), where I-RES owns 235 residential units.

Development Partnerships/Forward Purchase Contracts 2018

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

In September 2018, the Company acquired a 0.52 ha (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 at the Hansfield site for a total consideration of €26.7 million (including VAT, but excluding other transaction costs), generating an estimated gross yield of circa 6.58%, growing to 7.11% by year three.

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.

Merrion Road, Dublin 4 (up to 69 residential units)

On 16 Novemeber 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 of 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 circa 5.6% in the first year, growing to 6.1% in year three.

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 minutes 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 circa 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 space to 18 residential units. Contracts are currently being finalised with the contractor to begin work in Q1 2019, with completion in Q4 2019.

Coldcut Park, Clondalkin, Dublin 22

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

Planning permission has been granted.

Priorsgate, Tallaght, Dublin 24

The Company has received a Notification of Decision to Grant planning permission for the conversion of unused commercial space into five residential units.

Planning permission has been granted.

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 to 14 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 pre-planning meeting will take place in Q1 2019.

Operational and Financial Results

Net Rental Income and Profit for the Year Ended 31 December	2018 €'000	2017 €'000
Operating Revenues		
Revenue from investment properties	**50,608**	44,693
Operating Expenses		
Property taxes	**(536)**	(557)
Property operating costs	**(8,914)**	(7,865)
	(9,450)	(8,422)
Net Rental Income ("NRI")	**41,158**	36,271
General and administrative expenses	**(3,258)**	(3,209)
Asset management fee	**(3,178)**	(2,770)
Share-based compensation expense	**(228)**	(190)
Net movement in fair value of investment properties	**92,664**	40,450
(Loss) on derivative financial instruments	**(659)**	(241)
Depreciation of property, plant and equipment	**(8)**	(9)
Financing costs on credit facility	**(6,706)**	(5,223)
Profit for the Year	**119,785**	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 developments 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 year 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' salaries, 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 on a day-to-day basis. 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. After 1 November 2019, I-RES Fund Management may serve 12 months' notice of its intention to terminate the Investment Management Agreement. Asset management fee expenses for the year ended 31 December 2018 were €3.2 million compared to €2.8 million for the year ended 31 December 2017. See note 17 to the Financial Statements for further details of the Investment Management Agreement.

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 circa minus 0.09% per annum and will mature in January 2021. For the year ended 31 December 2018, there was a fair value loss of circa €0.7 million recorded in the income statement compared to circa €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 rates.

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 with €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 circa €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 circa €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	**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, 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

	Total Portfolio					Properties Owned Prior to 31 December 2017					Properties Acquired After 31 December 2017	
As at 31 Dec.	2018		2017			2018		2017				
	AMR	Occ. %	AMR	Occ. %	AMR change %	AMR	Occ. %	AMR	Occ. %	AMR change %	AMR	Occ. %
Residential	**€1,599**	**99.8%**	€1,517	99.9%	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 circa 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** €'000	**2017** €'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	2017
Total comprehensive income for the year attributable to shareholders (€'000)	**119,785**	65,079
Adjustments to calculate EPRA Earnings exclude:		
Changes in fair value on investment properties (€'000)	**(92,664)**	(40,450)
Changes in fair value of derivative financial instruments (€'000)	**659**	241
EPRA Earnings (€'000)	**27,780**	24,870
Basic weighted average number of shares	**427,164,632**	417,292,006
Diluted weighted average number of shares	**431,236,978**	423,432,918
EPRA Earnings per share (cents)	**6.5**	6.0
EPRA Diluted Earnings per share (cents)	**6.4**	5.9

EPRA NAV per Share

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

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

EPRA NAV was circa €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.

Property Portfolio Review

Property Overview

Property and Location	Number of Apartments Owned [1]	Annualised Passing Rent [1] [4] €000's	Average Monthly Rent per Apartment [1] [2] [3]	Occupancy [1] [2]	Gross Yield at Fair Value
City Centre					
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%
Total City Centre	**277**	**€ 6,827**	**€ 1,886**	**99.4%**	**5.9%**
Prime Suburbs					
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%
Total Prime Suburbs	**877**	**€ 19,359**	**€ 1,735**	**99.9%**	**5.7%**
Secondary Suburbs					
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%
Total Secondary Suburbs	**889**	**€ 14,941**	**€ 1,322**	**99.8%**	**7.1%**
Inchicore/Drimnagh					
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%
Total Inchicore/Drimnagh	**409**	**€ 7,619**	**€ 1,552**	**100.0%**	**6.5%**
Total owned portfolio as at 31 December 2017 [5]	**2,452**	**€ 48,745**	**€ 1,572**	**99.8%**	**5.9%**
21 Hansfield Wood I, Ongar	99	€ 2,508	€ 2,133	99.0%	6.7%
Hansfield Wood II, Ongar [6]	–				n/a
22 Hampton Wood, Finglas	128	€ 2,635	€ 1,716	100.0%	6.4%
Total owned portfolio as at 31 December 2018	**2,679**	**€ 53,888**	**€ 1,599**	**99.8%**	**6.1%**

(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.

City Centre

1 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.

2 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.

3 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.

Prime Suburbs

4 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.

5 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 33) 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-suite 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.

6 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.

7, 8 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.

9 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.

10 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 the Stillorgan LUAS stop.

11 Elmpark Green
201 residential apartments
Merrion Road, Dublin 4

The Company acquired Elmpark Green, located in Merrion Road, 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 Centres, and is also adjacent to the Elm Park Golf and Sports Club, as well as St. Vincent's University Hospital.

12 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.

Secondary Suburbs

13 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.

14 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.

15 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 facilities. 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.

16 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 space to 18 residential apartments.

Inchicore/Drimnagh

17 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.

18 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.

19 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.

20 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.

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 24 for details on the following properties.

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

The Square, Hampton Wood, Finglas, Dublin 15
128 apartments

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 represents the highest volume of annual housing output for nine years. On the other hand, this level of activity is well below 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 the end of September 2018, up 62% year over year and from the introduction in July 2017 of regulations permitting developers to submit applications for large (over 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 investment in 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; an 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 circa 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 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 of how the UK's exit from 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.

Business Objectives and Strategy

The I-RES business model is based on a long-term commitment to the residential market and is aligned with Dublin and Ireland's growing need for high-quality residential space. To fulfil this commitment, I-RES will continue to pursue acquisitions and strategic pathways that add long-term value.

Objectives

- Provide shareholders with long-term sustainable, stable and predictable dividends
- Grow income and net asset value through active management of its properties, accretive acquisitions and developments, and strong financial management

Business Strategy

The Irish residential rental market continues to exhibit strong market fundamentals: rapid growth of the Irish economy; an influx of multinationals to Dublin; substantial demand for high-quality rental accommodation from highly-trained international workers; and a significant shortage of available housing. These circumstances created ideal conditions for the execution of I-RES' strategies in 2018.

To meet its objectives, I-RES has established the following strategies:

- Acquisitions
- Development of Existing I-RES Properties
- Local Development Partnerships
- Financial Management

Acquisitions

For developments and acquisitions, I-RES is interested in Dublin City Centre and the main urban centres in Ireland. Going forward, I-RES is refining its asset building to include developments and acquisitions in commuter markets outside of Central Dublin that meet three key criteria: 1) strong local employment; 2) good transportation connections; 3) family-friendly neighbourhoods with nearby schools.

Development of Existing I-RES Properties

While continuing to pursue accretive acquisitions, I-RES is responding to the increased competition for asset purchase opportunities in the Irish residential market by increasing its focus on development and intensification opportunities within its existing portfolio, where potential has been identified to add an estimated 600 apartments at currently owned properties. These apartments can be built at a cost that is lower than current market values for comparable properties, partly because there is already significant infrastructure in place, such as groundworks and parking. Furthermore, there are opportunities for infill and residential conversion, subject to planning consent, at some of I-RES' commercial properties. Execution of this strategy is evident in the recently completed project at The Maple, at block B2B (Beacon South Quarter), Sandyford, Dublin 18. This was the first intensification development for I-RES and added 68 apartments to the overall portfolio, all of which were leased by 31 December 2018.

Local Development Partnerships

I-RES is 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. An example of this strategy is Hansfield Wood, Ongar, Dublin 15, a 1.8 ha (4.5 acre) development site that was acquired in November 2017 to build 99 residential units. The project was completed in August 2018 with an expected gross yield of circa 7%.

Financial Management

I-RES takes a conservative approach and strives to manage its exposure to interest rate volatility by proactively managing its credit facility to reduce interest rates. In addition, I-RES strives to maintain a conservative overall liquidity position and achieve a balance in its overall capital resource requirements between debt and equity. The Company's strategy is founded on maintaining prudent levels of interest cover and protecting shareholders' funds, particularly bearing in mind the cyclical nature of the Irish property market. As at 31 December 2018, the Company's Group Total Gearing was 33.6% (33.0% as at 31 December 2017), well below the 50% maximum allowed by the Irish REIT guidelines. We will continue to use our Credit Facility to fund our development costs and further acquisition opportunities that arise.

Investment Policy

Focus Activity

The Group's aim is to assemble a portfolio within its focus activity of acquiring, holding, managing and developing investments primarily focused on residential rental accommodations and ancillary and/or strategically located commercial property on the island of Ireland, principally within the greater Dublin area and other major urban centres on the island of Ireland (the **"Focus Activity"**). The vast majority of such properties will form the Group's property investment portfolio for third party rental. The Group may also acquire indebtedness secured by properties (including in respect of buy-to-let properties) within its Focus Activity where it intends to gain title to and control over the underlying property. There is no limit on the proportion of the Group's portfolio that consists of indebtedness secured by properties.

Consistent with the Focus Activity, the Group may consider property development, redevelopment or intensification opportunities, in particular, the completion of building out the Group's current development sites, where the directors of the Company consider it appropriate having regard to all relevant factors (including building risk, lease up risk, expected returns and time to complete).

The Group may also acquire properties and portfolios which include other assets outside of the Focus Activity, subject always to a maximum limit of 20% of the overall gross value of the Group's property assets, provided there is a disposal plan in place in connection with such assets which have been deemed non-strategic and do not meet the Group's investment objectives or which could otherwise have an adverse effect on the Group's status as an Irish real estate investment trust.

Gearing

The Group will seek to use gearing to enhance shareholder returns over the long term. The Group's gearing, represented by the Group's aggregate borrowings as a percentage of the market value of the Group's total assets, will not exceed the 50% maximum permitted under the Irish REIT Regime. The board of the Company (the **"Board"**) reviews the Group's gearing policy (including the level of gearing) from time to time in light of then-current economic conditions, relative costs of debt and equity capital, fair value of the Group's assets, growth and acquisition opportunities and other factors the Board may deem appropriate, with the result that the Group's level of gearing may be lower than 50%. The Board may also from time to time consider hedging or other strategies to mitigate interest rate risk.

Investment Structures

The Group will also have the ability to enter into a variety of investment structures, including joint ventures, acquisitions of controlling interests, acquisitions of minority interests or other structures (whether by way of equity or debt) including, but not limited to, for revenue producing purposes in the ordinary course of business, within the parameters stipulated in the Irish REIT Regime. There is no limit imposed on the proportion of the Group's portfolio that may be held through such structures.

Warehousing / Pipeline Agreements

If the Group is unable to participate in sales processes for property investments because it has insufficient funds and/or debt financing available to it, including where its gearing is at or close to the maximum permitted level under the Irish REIT Regime, the Group is permitted to acquire property investments that meet the criteria specified in its Investment Policy (including the acquisition of shares in property holding companies) from time to time in accordance with the terms of warehousing or pipeline arrangements entered into or to be entered into by it with third parties, in each case, without shareholder approval and for a price calculated on a basis that has been approved in advance by the directors of the Company.

Restrictions

Pursuant to the Irish REIT Regime, the Group is required, amongst other things, to conduct a Property Rental Business consisting of at least three properties, with the market value of any one property being no more than 40% of the total market value of the properties in the Group's Property Rental Business. Further, at least 75% of the Group's annual Aggregate Income will need to be derived from its Property Rental Business and at least 75% of the market value of its assets, including uninvested cash, will need to relate to its Property Rental Business.

In addition to the foregoing, the Group will not do anything that would cause the Group to lose its status as a real estate investment trust under the Irish REIT Regime.

Changes to the Investment Policy

Material changes to the Group's Investment Policy set out above may only be made by ordinary resolution of the shareholders of the Company in accordance with the Listing Rules of Euronext Dublin and notified to the market through a Regulatory Information Service. If the Company breaches its Investment Policy, the Company is required to make a notification via a Regulatory Information Service of details of the breach and of actions it may or may not have taken. A material change in the published Investment Policy would include the consideration of investments outside of the Focus Activity, other than as permitted under this Investment Policy.

For as long as the Company remains admitted to the Official List maintained by Euronext Dublin, any changes to the Company's Investment Policy must be made in accordance with the requirements of the Listing Rules of Euronext Dublin.

With a view to implementing the Investment Policy, the Company has adopted an Investment Strategy, a copy of which is set out in each annual report of the Company, and which is subject to such amendments as made by the Board from time to time.

I-RES has invested in accordance with the investment policy. Please refer to the property overview table on page 23 for further details.

The Risk Report

Risk Management and Internal Control Systems

The Group employs a three lines of defence approach to risk management

Board

The Board has overall responsibility for maintaining and monitoring the Group's system of risk management and internal control, and assessing its effectiveness. Such a system is designed to identify, manage and mitigate financial, operational and compliance risks inherent to the Group and allow the Group to meet its strategic objectives.

Audit Committee

The Board relies on the Audit Committee to assist with certain responsibilities relating to internal controls, risk management and reporting. Refer to the Report of the Audit Committee on page 66 for the procedures established by the Audit Committee to discharge these responsibilities.

Investment Manager Board

The Investment Manager has a board of directors that is comprised of independent and non-independent directors and has oversight of the Investment Manager's activities.

1 Management and Employees

2 Risk Management Function

3 Internal Audit

Investment Manager

The Investment Manager's employees and management team are responsible for designing, implementing and carrying out a system of internal controls to mitigate key risks facing the Group and allow it to meet its strategic objectives.

This system of internal controls includes, but is not limited to, the following:

Entity Level Controls	Policies and Procedures	Process Controls
– Board oversight of the Investment Manager and financial, operational and compliance matters – Experienced personnel and oversight established by the Investment Manager – Tone at the top – Defined structure and clear lines of authority – Communication and disclosure controls such as management meetings and compliance certifications	– Corporate governance policies – Code of Conduct and Employee Handbook – Signing Authority and Delegation Policy governing day-to-day transactions and larger corporate initiatives – Risk management processes and regulatory monitoring practices – Investment decision policies, including robust due diligence policies and procedures – Financial reporting and risk management processes – Asset valuation procedures – Operations policies and practices – Information technology and security policies and procedures	– Preventive and investigative financial, compliance and operational transaction level controls – Information technology controls surrounding key financial and operational systems – Establishing and monitoring budgets and business plans, including consideration of risk – Monitoring of financial results and key operational, financial and compliance performance indicators (net asset value, net operating income, capitalisation rates, occupancy, average monthly rents, gearing and debt covenant compliance, revenue collectability and REIT status compliance)

In addition to the above, the Board and the Investment Manager engage third party expertise, where needed, to assist in carrying out processes and to provide advisory services. The Board has appointed a third party valuation firm to provide valuations of the property-related investments of the Group. The Investment Manager reviews the assumptions and inputs used by the third party valuation firm, as well as the results of their valuation process. Additionally, the Group has a rotation policy for its third party valuation firms, under which a new firm was appointed in 2018.

The Investment Manager has a risk management function which is responsible for carrying out risk assessments with process owners. The risk management function, upon meeting with process owners, has established a risk register consisting of key strategic, operational, financial and compliance/regulatory risks impacting the Group along with associated mitigating controls. Throughout the year, the risk management function meets with process owners to maintain the risk register and incorporate any changes to the risks and mitigating controls. These assessments consider principal risks as well as emerging risks. The risk management function also carries out an assessment of the likelihood of occurrence of the risk and the impact associated with each risk in the risk register. The results of this risk assessment process and a summary of the key risks in the risk register are presented to the Audit Committee and the Board on a quarterly basis. The risk assessment process and risk register also assist the Board in determining the Group's principal risks and uncertainties, which have been included on pages 44 to 50.

The Investment Manager's risk management function is also responsible for assessing the Group's risks that require insurance and ensuring that adequate insurance is procured to protect the Group from significant exposures. From time to time, the Investment Manager's risk management function engages third party expertise to assist it in carrying out risk assessments and to provide risk advisory services, as well as in procuring optimal insurance coverage for the Group on the most cost-effective basis.

The Board is satisfied that the Investment Manager's risk management function has the necessary authority, resources, expertise and access to relevant information to fulfil its role and is operating effectively as at the date of this Report.

The Group has not established an internal audit function but instead relies on the Investment Manager's internal audit function in order to assist the Audit Committee and Board assess the effectiveness of the Group's risk management and internal control systems. For further details regarding the Audit Committee's annual assessment of the need for an internal audit function, refer to the Report of the Audit Committee on page 69. The Investment Manager's internal audit function consults with the Investment Manager's staff, the Investment Manager's risk management function and the Investment Manager's Audit Committee to determine its mandate. In shaping its mandate, the Investment Manager's internal audit function also considers the work performed by the Investment Manager's risk management function. This mandate includes auditing the design and operating effectiveness of key operational, financial and compliance-related internal controls making up risk mitigation activities. The Investment Manager's internal audit function has adequate authority and access to the personnel, processes and records of the Investment Manager, as well as the Group, to perform its work. The Investment Manager's internal audit function meets with the Group's external auditor regularly throughout the year to discuss internal control and audit matters. Additionally, the Group's external auditor has access to the internal audit function's findings and reports. The Investment Manager's internal audit function presents quarterly to the Audit Committee on its work related to the internal controls of the Group. The Audit Committee has direct access to the Investment Manager's internal audit function through quarterly Audit Committee meetings, including in-camera sessions as required. Furthermore, the Audit Committee plays a key role in assessing the annual internal audit plan put forth by the Investment Manager's internal audit function and also in reviewing any significant findings resulting from the audit work carried out under this plan.

Taking into account the information on principal risks and uncertainties provided on pages 44 to 50, and the ongoing work of the Audit Committee in monitoring the risk management and internal control systems on behalf of the Board, the Board:

- is satisfied that it has carried out a robust assessment of the principal risks and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; and
- has reviewed the effectiveness of the risk management and internal control systems, including all material financial, operational and compliance controls (including those relating to the financial reporting process), and no material failings or weaknesses were identified.

Going Concern Statement

The Directors, after making enquiries, have a reasonable expectation that the Company, and the Group as a whole, have adequate resources to continue operating for at least 12 months. For this reason, the going concern basis of accounting continues to be adopted in preparing the financial statements included in this Report.

Assumptions are built in for the statement of profit or loss and other comprehensive income, statement of financial position and statement of cash flows, and these are rigorously tested by management and the Directors. Sensitivity analysis has been applied to reflect the potential impact of some of the principal strategic and commercial risks of the Group, as described on pages 44 to 50.

After making enquiries and having considered the uncertainties facing the Group and the options available to it, the Directors have a reasonable expectation that the Group will have sufficient funds available to meet liabilities as well as other planned expenditures as they fall due in the foreseeable future. Based on the above, the Directors continue to adopt the going concern basis of accounting for the preparation of the financial statements.

Viability Statement

Assessment of prospects

The Group's strategy has been outlined on page 39. Under this strategy, the key factors underlining the Group's prospects are:

- development opportunities: the Group has increased its focus on developments, with the completion of Hansfield Wood Phase I and the acquisition of Hansfield Wood Phase II during 2018.
- growth: the Group is targeting organic revenue growth supplemented by acquisitions and development.

The Board has considered the changes in the risk profile of the Group that this entails and has determined that they are acceptable in the context of the risk profile of the Group as a whole.

The assessment period

The Group's viability assessment includes a budget for the next financial year, together with a forecast for the following two financial years. Achievement of the one-year budget has a greater level of certainty and is used to set near-term targets across the Group. Achievement of the three-year plan is less certain than the budget, but provides a longer-term outlook against which strategic decisions can be made.

The Directors concluded that three years was an appropriate period for the assessment given that this is the key period of focus within the Group's strategic planning process, and it fits well with the Group's development cycle. The objectives of the strategic planning process are to consider the key strategic choices facing the Group and to build a consolidated financial model with various stress scenarios, taking into account the principal risks and uncertainties facing the Group.

The assessment process and key assumptions

Detailed financial forecasts are prepared, with the first year of the financial forecast forming the Group's operating budget, and subject to a rolling forecast process throughout the year. Subsequent years of the forecasts are extrapolated from the first year, based on the overall content of the strategic plan. Progress against financial budgets and key objectives is reviewed in detail on a monthly basis by the Group and shared with the Board on a quarterly basis. Mitigating actions are taken, whether identified through actual trading performance or the rolling forecast process.

The key assumptions within the Group's financial forecasts include: organic revenue growth supplemented by acquisitions and development, supported by market trends.

Assessment of viability

The viability assessment has considered the Group's profitability, capital values, gearing, cash flows and other key financial metrics over the period. These metrics are subject to alternate stress scenarios, in which a number of the main underlying assumptions are changed based on some of the principal risks of the Group, as described on pages 44 to 50, to reflect a comprehensive range of possible outcomes.

Specifically, in Scenario 1 the Group considers the risk of a weakening of the economy (which is included in the Principal Risks and Uncertainties section), which would negatively impact residential property fundamentals, including investor and occupier demand. The key assumptions for this stress scenario include reduction in revenues, increase in vacancy and bad debt expenses from existing properties and acquisitions.

In Scenario 2, the Group considers construction risk (which is included in the Principal Risks and Uncertainties section), which would negatively impact the cash flows and banking covenants. The key assumptions for this stress scenario include delays in development projects.

The Directors have assessed the viability of the Group over a three-year period to December 2021, taking account of the Group's current position and the potential impact of the principal risks. While the stress tests are hypothetical, the Group has control and mitigation measures in place to withstand or avoid potential unfavourable impacts under the scenarios, such as reducing non-essential expenditure, acquisitions and development. Based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue to sustain its operation and meet its liabilities as they fall due over the period to December 2021.

In making this statement, the Directors have considered the resilience of the Group, taking into account its current position, the principal risks facing the business in severe but reasonable scenarios, and the effectiveness of any mitigating actions.

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 as well as any emerging risks with the assistance of the Investment Manager and CAPREIT LP, as well as the combined expertise of its Board. Emerging risks include those that are not principal risks at the current time, but may evolve into principal risks in the future. 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

Growth Strategy

Investment opportunities may become limited

Strategic Impact – High

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.

Mitigation Strategy

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: acquisitions, development opportunities within existing assets, and partnering with developers in new development opportunities.

Risk Trending Since 31 December 2017 – Stable

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.

Risk

Economy

A general weakening of the Irish economy

Strategic Impact – Medium

Reduced economic activity could have a negative impact on asset values and net rental income, which could affect cash flows.

Mitigation Strategy

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.

Risk Trending Since 31 December 2017 – Stable

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.

Risk

Construction

Increasing construction costs, cost overruns or delays in completion of development projects or defects in construction or non-compliance with building standards

Strategic Impact – Medium

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.

Furthermore, post construction, structural deficiencies or non-compliance with building code may be discovered, which could also impact returns.

Mitigation Strategy

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, 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.

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 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 obtain 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.

To protect against structural defects and non-compliance 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 minimise 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 following 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, totalling 164 residential units.

Risk Trending Since 31 December 2017 – Increasing

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.

Risk
Political

Material changes to the political environment in areas significantly impacting the Group's operations

Strategic Impact – Medium

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"). 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.

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 a positive impact on housing demand, which would be beneficial to the Group. However, depending on trade and supply chain impacts, the withdrawal could drive up 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.

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.

Mitigation Strategy

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.

Risk Trending Since 31 December 2017 – Increasing

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.

Risk
Concentration Risk

The Dublin market experiences material circumstances that result in lower occupancy or demand for rental properties

Strategic Impact – Medium

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.

Mitigation Strategy

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.

The Investment Manager monitors supply and demand for rental apartments in operating areas where the Group's investment properties are located.

Additionally, the Investment Manager monitors and reports to the Board on certain key metrics around investment performance and risk, as well as compliance with the Group's stated investment policy, on a quarterly basis.

Risk Trending Since 31 December 2017 – Stable

Real estate fundamentals in Dublin continue to be strong as a result of the economy and population growth.

The level of concentration is within the Group's risk appetite given the accretive opportunities still presented by being focused on the Dublin market.

Risk
Investment Manager Performance

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 26 and note 17 to the Financial Statements). In particular, after 1 November 2019 the Investment Manager is able to serve 12 months' notice to terminate their services.

Strategic Impact – Medium

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 that impact cash available for dividends and reinvestment in the business.

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.

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.

Mitigation Strategy

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.

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.

Key personnel of the Investment Manager and its parent company, CAPREIT LP, are financially incentivised through the Group's long-term incentive plan.

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.

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.

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.

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.

Risk Trending Since 31 December 2017 – Stable

The Investment Manager has continued to have strong performance as evidenced by the returns being generated on the Group's assets and its 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.

Risk

Regulation and Legislation

The government may introduce further restrictive changes to the rent legislation

Strategic Impact – Medium

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.

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.

Mitigation Strategy

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%.

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).

If any new legislation is enacted, relevant staff will receive training and education in order to continue compliance with the rent legislation.

The Group will continue to monitor and evaluate any further changes in the legislation, and their impact on the growth strategy.

Risk Trending Since 31 December 2017 – Increasing

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 the ability to impose additional sanctions for non-compliance.

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.

Risk

Access to Capital

The ability to access capital becomes limited

Strategic Impact – Medium

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.

Mitigation Strategy

The Investment Manager and the CEO have developed relationships with lenders, both in Ireland and abroad, which provide ongoing financing possibilities.

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.

The Group invests in properties that generate a strong rate of return for its investors and, in turn, increase 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.

The Group actively manages its liquidity needs and monitors capital availability.

Risk Trending Since 31 December 2017 – Stable

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.

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.

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 – Medium

Planning permission is required from the relevant planning authority prior to the development of the Group's development sites.

Delay in achieving planning permission may result in a slower level of portfolio growth and income generation from the development assets.

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 with building out the Group's development assets.

Risk Trending Since 31 December 2017 – Stable

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.

Additionally, increases in Requests for Further Information (**"RFIs"**) during the planning process are becoming standard throughout the industry, further impacting planning application timelines.

The Group, however, has made positive progress on a number of planning applications during the course of 2018.

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.

Risk
Acquisition Risk

Investment decisions may be made without consideration of all risks and conditions

Strategic Impact – Medium

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.

Mitigation Strategy

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 three to five-year period. This involves the appointment of third party experts to carry out technical and engineering studies and investigations.

Post acquisition, the Investment Manager, through prudent operating practices, monitors and manages any property related issues, including building deficiencies, as they arise.

Where structural defect insurance policies are still in force, they transfer to the Group upon change of title.

Whenever possible, the Group seeks to have collateral warranties assigned at the time of acquisition.

Risk Trending Since 31 December 2017 – Stable

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.

Risk
Cybersecurity and Data Protection

Failure to comply with data protection legislation or being subject to a cybersecurity attack

Strategic Impact – Medium

Failing to comply with data protection legislation and practices could lead to unauthorised 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.

Mitigation Strategy

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.

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).

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.

Risk Trending Since 31 December 2017 – Increasing

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 requirements. Additionally, issues such as cross-border data transfers and vendor risk complexities continue to pose challenges.

Risk

Cost of Capital

Interest rates increase, resulting in higher debt service costs and restrictiveness of future leveraging opportunities. Investors' expected rate of return increases, resulting in pressure to increase dividend yields.

Strategic Impact – Low

The Group is exposed to risks associated with movements in interest rates on its floating rate bank debt.

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.

Mitigation Strategy

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 under-geared, which would result in lost opportunity for higher returns.

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.

Hedging instruments are used to limit the Group's 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.

Risk Trending Since 31 December 2017 – Stable

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.

Risk

Tax Compliance Risk

Failure to comply with REIT rules

Strategic Impact – Low

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 for current or potential shareholders.

Mitigation Strategy

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.

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.

Risk Trending Since 31 December 2017 – Stable

The Group does not believe the risk of non-compliance has changed from last year and the Investment Manager has not changed its monitoring and testing processes in a way that could result in a change in the risk.

Environmental, Social and Governance (ESG) Factors

I-RES continues to enable and influence the integration of Environmental, Social and Governance (**"ESG"**) considerations into our day-to-day operations and decision-making.

Consistent with I-RES' drive to deliver high-quality and high-performing buildings, I-RES embeds innovative and hands-on management strategy in all areas of the I-RES resident experience. This includes the application of sustainable building development and management practices, community engagement, and occupant comfort and safety.

Our Built Environment

Whilst all buildings acquired by I-RES continue to meet the energy codes applicable in Ireland when purchased, this has not deterred I-RES from pursuing opportunities to further reduce the carbon footprint of its managed portfolio.

To date, our operational efficiency initiatives continuously build on:

1. Energy reduction
2. Waste diversion
3. Water conservation

Energy Reduction

Building Energy Rating (**"BER"**) Certificates

I-RES' portfolio of buildings continues to be fully compliant with Energy Performance Building Regulations under the Statute Book (S.I.243 of 2012). As a result, all properties have a BER Certificate evidencing the energy performance of each apartment. With the BER certifications coming to maturity in 2019, we will seek to use the results data from prior assessments to further improve our energy management strategies where feasible. Existing initiatives, such as the light-emitting diode (**"LED"**) bulb replacement programme and the energy-efficient boiler replacement programme, are anticipated to improve the BER scores upon recertification.

LED Programme

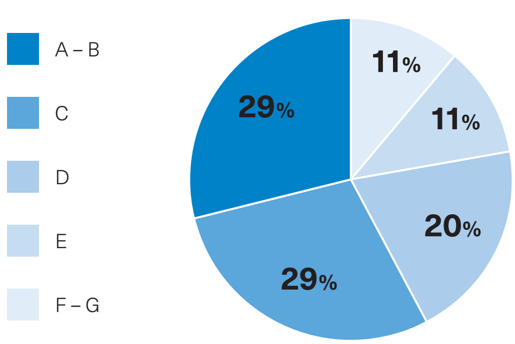
Initialised as a pilot project in 2017, I-RES makes active investments in managing energy consumption in our buildings by conducting LED lighting retrofits both in the common areas and in-suite light fixtures across our managed portfolio. Commencing in 2019, I-RES will be upgrading close to 50,000 light fixtures to LEDs across 2,400 units. The estimated cumulative energy cost savings of €555,000 will result in approximately 90% energy consumption savings over the course of the project's three-year implementation. Collectively, these projects are estimated to reduce CO_2 emissions by circa 330 tonnes (330,000 kg) or the equivalent of taking 63,000 vehicles off the road for one year.

Boiler Replacement Programme

A feasibility study and tendering process began in 2017 to replace the current gas-fired boilers throughout the portfolio with more energy-efficient models. Given that each gas-fired boiler serves one apartment, it was concluded that 867 gas-fired boilers are due for replacement within the next 18 months. The planned replacement programme is expected to generate estimated energy savings between 20% to 30% per apartment.

Through the process of rolling out the boiler replacement programme across 50 units in 2018, I-RES identified over 150 boilers currently operating at optimum performance that will not require

BREAKDOWN OF BER SCORES
as at 31 December 2018



The LED Programme will result in savings of

€555K

over the project's three-year implementation

284 x **714** = **202,776**

Kilograms of CO_2 avoided per apartment

Apartments with boilers to be replaced over an estimated three-year period

Kilograms of CO_2 avoided, equivalent to 800K km avoided

replacement. As such, I-RES estimates needing to replace about 660 boilers over the course of the next few years. To further finance and optimise the programme, a possible rebate programme with the Sustainable Energy Authority of Ireland (**"SEAI"**) is being investigated.

According to the Commission for Regulation of Utilities (**"CRU"**), the average energy consumption for a two-bedroom apartment in Ireland is circa 6,900 kilowatt/hour. This would equate to circa 1,421 kilograms of CO_2. Reducing this by 20%, which is on the lower end of the expected energy savings from the boiler replacement programme, would equate to 1,380 kilowatt/hour or the equivalent of 284 kilograms of avoided CO_2 emissions per apartment per year. Upon the expected completion of the boiler programme, this will represent an estimated circa 202,776 kilograms of avoided CO_2 per year, or the equivalent of avoiding roughly 800,000 km driven by an average passenger vehicle.

Waste Diversion

Partnering with a waste hauler to help deliver applicable innovative waste and recycling solutions, I-RES' waste management practice supports:

- Glass bottle recycling across all sites
- Increased segregation of non-domestic waste by engaging in the diversion of:
  — Household electronics
  — Used furniture

I-RES will continue to engage our waste partners in 2019 to further our waste diversion reporting and disclosure.

Water Conservation

While no subsidy programmes for water conservation are currently made available, water conservation is one of our focus areas in our ESG strategy.

Water-conserving taps and fixtures are being investigated as replacements for older fixtures that are reaching the end of their life cycle. The replacement of approximately 500 units per year was drafted in 2018 with an anticipated programme implementation in 2019.

Development Projects

The energy and sustainable design strategy for I-RES' developments is to use robust, passive, cost-effective measures to create environmentally sound and energy-efficient apartments by using an integrated approach to design, planning and construction. Improving the environmental performance of buildings is one of the ways through which I-RES optimises the reduction of greenhouse gas (GHG) emissions associated with our real estate assets. By implementing appropriate measures at the design and construction phases of development projects, the potential exists to significantly improve the operational performance of IRES' future building stock. Our design strategy consists of a life cycle assessment approach to management and planning, energy efficiency, material selection, waste management, sustainable transport and enhancing the ecological value of the site.

The following key sustainability objectives, concepts and standards, where feasible and applicable, are applied to all development projects, including IRES' existing development sites:

- Increased levels of operational performance and targets as outlined in applicable Irish Building Regulations in accordance with the European nZEB Directive (2010/31/EU).
- A3 Rated Building Energy Rating (BER), targeting high energy efficiency and low emissions performance per unit.
- Delivery of high indoor environment quality consistent with best practice design for the health and well-being of occupants, with a focus on good natural ventilation and daylighting strategies. Each site is assessed and the ventilation strategy tailored to the site.
- The principles of the Irish Government's National Climate Change Policy.

Sustainable Design Strategy Considerations

Design Flexibility	Enhance dwelling longevity
Passive Design Measures	Balance of glass to wall ratios to minimise unwanted heat loss and maximise daylight to the space
Energy Efficiency	Attain A3 Rated BER
Natural Daylight	Target CBISE compliance
Dynamic Modelling	Conform energy efficiency, daylight access and air quality balance
Water Efficiency	Incorporate water efficient sanitary appliances, fixtures and fittings
Waste Management	Manage resource applications
Materials	Select materials embodying energy, life cycle impact and indoor environment quality
Sustainable Transport	Encourage alternative transportation options
Environment Assessment Methodology	Construct holistically by applying a comprehensive approach to support sustainable design

In addition to assessing the application of the above sustainability-related design strategies and meeting industry regulations, certain IRES assets have their units heated by air-water heat pumps, which are powered by 65% renewable energy extracted from the air and 35% from electricity. Photovoltaic panels are also designed to power certain common areas to minimise heating and lighting costs.

As part of our acquisition strategy for already constructed units, we complete a due diligence assessment and devise a capex budget strategy to bring these units to a higher operating standard for efficiency and tenant comfort. Once acquisition takes place, the operations team periodically reviews the associated asset life cycle costs and performance against the portfolio benchmarks.

Near Zero Energy Buildings (nZEB)/ LEED Certification

The Irish Government has introduced the revised Building Regulations Part L 2017 – Technical Guidance Document Conservation of Fuel and Energy – Dwellings. Effective 1 April 2019, any projects which receive planning permission and are not substantially complete will be required to be designed and constructed in accordance with the guidelines. In response to the new guideline requirements, along with our own belief in the end user experience and wellness benefits, a couple of I-RES' current development projects will be designed with the intent of seeking a minimum LEED Gold Certification. This requirement will be reviewed at the planning, detailed design and tender stages to confirm the delivery of the required benefits for all stakeholders.

I-RES' Green Ambassador Search

Intending to further engrain the spirit of conservation into day-to-day practice, I-RES and IRES Fund Management will be looking to form a group of Green Ambassadors to help maintain and improve our collective environmental efforts. Through embedding waste diversion and energy and water efficiency efforts in the workplace, the group will be tasked with checking the pulse on several existing programmes and practices, including partnering with vendors accordingly.

I-RES Communities

I-RES recognises that, as one of Ireland's largest residential landlords, we play an important role in the communities we develop, employ and serve in. Our residents and employees are at the heart of these communities, which is why I-RES and IRES Fund Management are committed to supporting sustainable community development, improved resident experiences and greater employee engagement, and actively support the participation of their employees in community-building events such as volunteering and fundraising.

In 2018 IRES Fund Management created a monthly Ground Blitz day, and carried out its first corporate employee engagement in early 2019 at Tyrone Court development. All IRES Fund Management employees met on-site to carry out tasks in the common areas such as gardening, painting and general spring cleaning. This not only improves the grounds by making them more inviting for people to spend time, it also encourages tenants to stop and converse with the team and builds a sense of community.

I-RES is involved in the Dragons at the Docks boat race, an Irish property industry event which in 2018 raised €250,000 for the Dublin Simon Community, a charity supporting people experiencing homelessness.

I-RES also sponsors the Naomh Olaf GAA Club, which is a Gaelic Athletic Association club in the Dundrum/Sandyford area of Dublin. Described as a vibrant and welcoming club, the club respects diversity and welcomes membership from all genders, age groups, abilities and backgrounds. Fielding 90 teams in various competitions in football, ladies football, hurling and camogie, the Naomh Olaf GAA Club is another proud community affiliation for I-RES and its tenants.

Occupant Safety

Each individual apartment is provided with a fire blanket, safety manual and customised evacuation route map.

In addition to statutory requirements for fire safety, I-RES also conducts an annual safety audit for each apartment. I-RES conducts two fire drills per year, as fire safety is deemed essential in reducing risk to our residents and those employed in our buildings.

I-RES maintains an active presence across our managed sites to ensure that, where applicable, the following safety initiatives are applied:

Site Visit / Inspections Weekly inspections with a predefined list of items to be checked. Any defects are logged and addressed in a timely manner.

Fire Risk Assessments Quarterly fire risk assessments are carried out, and any defects or failures are addressed on an as needed basis.

Emergency Evacuation Plan Emergency evacuation plan, which is kept within the fire register.

Staff Training All IRES Fund Management staff servicing I-RES-owned buildings are certified fire wardens and fire extinguisher users. All maintenance staff are Safe Pass certified.

Occupational Health & Safety All staff servicing I-RES buildings have received safety training from a qualified third party safety solutions partner in accordance with I-RES' Safety Statement.

The Board approved and adopted a Company Safety Statement and all Board members took part in the required safety training delivered by Complete Safety Solutions.

Governance

Please refer to the governance section of this Report on pages 60 to 64 for information on IRES' governance policies.

I-RES is committed to identifying and optimising opportunities for continued ESG performance improvement. ESG considerations are present throughout our operations and decision-making. We will continue to seek out these opportunities by reviewing current ESG policies and identifying opportunities for improved governance, including consideration of alignment with the UN's Sustainable Development Goals and the Financial Stability Board's Taskforce for Climate-related Financial Disclosure.

Governance

I-RES Board of Directors

Declan Moylan
Independent Non-Executive Chairman

Appointed: 31 March 2014 as Director
Nationality: Irish
Committee membership:
Audit Committee: Appointed 31 March 2014 to 18 April 2017
Remuneration Committee: Appointed 31 March 2014
Nomination Committee: Appointed 31 March 2014

Declan Moylan is a solicitor admitted in Ireland, England and Wales with over 40 years' experience in business law practice and practice management. From 1999 until 2008 he served as managing partner of Mason Hayes & Curran, and subsequently as chairman of that firm from 2008 until 2013. As a lawyer Mr. Moylan specialised in counselling international corporations establishing operations in Ireland. He also conducted complex and high profile corporate investigations and enquiries.

Mr. Moylan is a director of a number of Irish registered companies including the EMEA subsidiary of Monster Beverage Corporation (listed on NASDAQ). He is chairman of Butler Corum European Hospitality Fund, a regulated investment fund focused on hotel assets across the eurozone. He is also chairman of WEEE Ireland Limited, the country's largest compliance scheme organising the environmental management of Waste Electrical and Electronic Equipment (WEEE) in compliance with European Directive 2012/19/EU.

Following appointments by the Minister for Culture, Heritage and the Gaeltacht, Mr. Moylan has served on the Boards of the Irish Museum of Modern Art and the Crawford Gallery (Cork, Ireland).

Phillip Burns
Non-Executive Director

Appointed: 23 March 2016 as Director
Nationality: American and British
Committee membership:
Remuneration Committee: Appointed 23 March 2016 to 31 March 2017
Nomination Committee: Appointed 23 March 2016

Phillip Burns is the Founder and a Principal of Maple Knoll Capital. During his career, he has been involved as a principal or advisor in transactions with an aggregate value of over €20.0 billion, with more than 70% centred around real estate across multiple geographies. Mr. Burns also has been involved with raising in excess of €11.0 billion of equity for principal investment, including over €2.5 billion dedicated to real estate.

Mr. Burns is also the Chief Executive Officer and trustee of European Commercial Real Estate Investment Trust (TSXV:ERE.UN).

Previously, Mr. Burns was CEO of Corestate Capital, an investment manager focused on distressed real estate transactions in Europe. Prior to this, he was a Managing Director at Terra Firma Capital Partners, where he specialised in infrastructure, real estate and credit. Mr. Burns also worked for Goldman Sachs, where he focused on mortgage finance, real estate and general corporate finance, and was a corporate attorney at Skadden Arps.

Mr. Burns holds a Bachelor of Science in Aerospace Engineering from the University of Michigan and a Juris Doctor, *summa cum laude,* from Syracuse University.

Joan Garahy
Independent Non-Executive Director

Appointed: 18 April 2017 as Director
Nationality: Irish
Committee membership:
Audit Committee: Appointed 18 April 2017
Remuneration Committee: Appointed 18 April 2017
Nomination Committee: Appointed 1 November 2017

Joan Garahy is Managing Director of ClearView Investments & Pensions Limited, an independent financial advisory company. Ms. Garahy has almost 30 years of experience advising on and managing investment funds. She is a former Founder & Managing Director of HBCL Investments & Pensions and former Director of Investments at HC Financial Services. In the past, Ms. Garahy worked with the National Treasury Management Agency as Head of Research at the National Pension Reserve Fund and was also Head of Research with Hibernian Investment Managers (now Aviva Investors). Prior to that, she spent ten years as a stockbroker with both Goodbody Stockbrokers and NCB in Dublin.

Ms. Garahy has served as a member of the board of directors of Kerry Group plc (ISE:KRZ) since January 2012 and has been Chair of its Remuneration Committee and a member of its Audit Committee since February 2012. In May 2018, Ms. Garahy was named as the Senior Independent Director at Kerry Group plc. She has also served as a member of the board of directors of ICON plc (NASDAQ:ICLR) since November 2017 and is Chair of the Compensation Committee. She has also served as a director of a number of private companies and is a non-executive director of the Irish Chamber Orchestra (charity).

Ms. Garahy is a Qualified Financial Advisor and a registered stockbroker. She has an Honours Bachelor of Science and is a Master of Science graduate. She holds a C.Dip in Accounting & Finance (ACCA).

Tom Kavanagh
Independent Non-Executive Director

Appointed: 1 June 2018 as Director
Nationality: Irish
Committee membership:
Audit Committee: Appointed 1 June 2018
Remuneration Committee: Appointed 1 June 2018

Tom Kavanagh is a former partner at Deloitte Ireland and provided consulting services to Deloitte Ireland until 31 December 2018. Mr. Kavanagh has wide-ranging experience in professional practice as a business adviser, corporate restructuring expert and insolvency practitioner. This has included, over the last 10 years, advising on the restructuring of distressed Irish property assets. Mr. Kavanagh has served as a director on the boards of a number of private companies and was a member of the board of the Credit Union Restructuring Board, REBO, from 2012 to 2014.

Mr. Kavanagh holds a Bachelor of Commerce from University College Dublin. He has been a member of Chartered Accountants Ireland (FCA) since 1982.

I-RES Board of Directors

Mark Kenney
Non-Executive Director

Appointed: 1 January 2019 as Director
Nationality: Canadian
Committee membership:
None

Mark Kenney is currently the President and Chief Operating Officer of CAPREIT (TSX: CAR.UN). Mr. Kenney joined CAPREIT in 1998 and, since that time, has been actively involved in creating and implementing CAPREIT's policy, directing the property management team, and overseeing the marketing, procurement, development and acquisitions departments. Mr. Kenney oversees all of CAPREIT's operations in Canada and Europe, including IRES Fund Management's operations in Ireland.

Mr. Kenney has more than 28 years of experience in the multi-family real estate sector. Prior to joining CAPREIT, Mr. Kenney held a senior position at Realstar Management Partnership, overseeing portfolios in Western Canada and Northern Ontario. He has also held various leadership roles at Greenwin Property Management and Tridel, where he managed portfolios in the Greater Toronto Area. Mr. Kenney is a former board member of the Federation of Rental-Housing Providers of Ontario and St. Hilda's Towers and was a founding board member of the Greater Toronto Apartment Association (GTAA). He holds a Bachelor of Economics degree from Carleton University.

Aidan O'Hogan
Independent Non-Executive Director
and Senior Independent Director

Appointed: 31 March 2014 as Director
Nationality: Irish
Committee membership:
Audit Committee: Appointed 31 March 2014
Remuneration Committee: Appointed 31 March 2014
Nomination Committee: Appointed 31 March 2014 to 23 March 2016 and re-appointed 31 March 2017

Aidan O'Hogan is a Fellow of the Royal Institution of Chartered Surveyors and of The Society of Chartered Surveyors in Ireland and a past President of the Irish Auctioneers and Valuers Institute. He is Managing Director of Property Byte Ltd, a Property and Asset Management Consultancy. In 2009 he retired as Chairman of Savills Ireland after 40 years as a real estate professional, and was previously Managing Director and Chairman of Hamilton Osborne King with almost 30 years' experience there and nine years at Lisney prior to that. He is a Council Member of Property Industry Ireland, having been its Chair from 2012 to 2015. He is a Member of the Friends First, Property Advisory Committee and a non-executive director of The Cluid Housing Association. He is also a former non-executive director of Cairn Homes plc.

I-RES Board of Directors

Margaret Sweeney
Executive Director

Appointed: 23 March 2016 as Director
Nationality: Irish
Committee membership:
Audit Committee: Appointed 23 March 2016 to 1 November 2017
Remuneration Committee: Appointed 31 March 2017 to 1 November 2017
Nomination Committee: Appointed 23 March 2016 to 1 November 2017

Margaret Sweeney is the Chief Executive Officer of I-RES.

Margaret Sweeney has held a number of senior positions including Chief Executive Officer of DAA plc (Dublin Airport Authority), Chief Executive Officer and board director of Postbank Ireland Limited and as a Director in Audit and Advisory Services at KPMG, a firm she worked with for 15 years.

Margaret Sweeney is currently a non-executive director on the board of Dalata Hotel Group plc. Margaret Sweeney has in the past served as a non-executive director on a number of boards in Ireland and internationally, including Aer Rianta International plc, Flughafen Düsseldorf GmbH, Birmingham International Airport and Hamburg Airport, including managing significant investments in these companies. She also has board experience with companies authorised by the Central Bank of Ireland. She is a member of the Council of the Institute of Chartered Accountants in Ireland, is a Fellow of Chartered Accountants Ireland and a Chartered Director of the Institute of Directors. She also served as President of the Dublin Chamber of Commerce from 2008 to 2009. She is a member of the board of Galway University Foundation and was previously a member of the Governing Body of Dublin City University.

Corporate Governance Statement

Governance Framework

For the financial year ended 31 December 2018, the Company's corporate governance practices were governed by the relevant requirements and procedures as set out by the Irish Corporate Governance Annex to the UK Corporate Governance Code (**"Irish Annex"**) (to be found at https://www.ise.ie/Products-Services/Sponsors-and-Advisors/Euronext-Dublin-Listing-Rules) and the UK Corporate Governance Code 2016 (**"UK Code"**) (to be found at https://www.frc.org.uk/getattachment/ca7e94c4-b9a9-49e2-a824-ad76a322873c/UK-Corporate-Governance-Code-April-2016.pdf), collectively known as the **"Codes"**.

This Report, including the Corporate Governance Statement, can be accessed electronically on our website at www.iresreit.ie.

The Role of the Board of Directors

As at the date of this Report, there are seven (7) directors on the Board. The Chief Executive Officer, Margaret Sweeney, is an executive director. Declan Moylan (the Chairman), Phillip Burns, Joan Garahy, Tom Kavanagh, Mark Kenney and Aidan O'Hogan are non-executive directors. The biographies of all the Directors appear in this Report on pages 56 to 59. David Ehrlich retired as a director of the Company with effect from 31 December 2018. On 1 January 2019, Mark Kenney was appointed as a member of the Board as IRES Fund Management's nominee.

The role of the Board is to set strategic objectives for the Company, to monitor the achievement of these strategic objectives and to determine the nature and extent of the principal risks it is willing to take in achieving these strategic objectives. The Board is also responsible for monitoring and reviewing the effectiveness of the Company's risk management and internal control systems. The Board is responsible for ensuring the accuracy of financial and business information provided to shareholders and for ensuring that such information presents a fair, balanced and understandable assessment of the Company's position and prospects. The Company appointed IRES Fund Management as its alternative investment fund manager as of 1 November 2015, pursuant to the terms of the Investment Management Agreement, to provide the Company with portfolio management, risk management, property management and other services in relation to assets or properties which may be acquired, held or disposed of by the Group, and to act with day-to-day authority, power and responsibility for such assets and properties.

The Board oversees the performance of the Investment Manager and the Company's activities. The Investment Manager has discretionary authority to enter into transactions for and on behalf of the Company, except for certain matters that are reserved to, and require the consent of the Board. Unless required to be performed by the Investment Manager as a matter of law or in order to respond to a bona fide emergency, the Company's prior written approval is required for certain matters, including:

a) any acquisition/disposal of a property investment or entry into any agreement to acquire/dispose of a property investment;
b) any new financing or refinancing, including associated hedging arrangements, entered into in respect of a property investment;
c) any capital expenditure on a property investment in excess of an approved budget;
d) any proposed lease event where the rent referable to the relevant lease is greater than 7.5% of the aggregate rental income of the Company;
e) any acquisition or entry into any agreement to acquire any property investment through a joint venture or co-investment structure;
f) any hedging or use of derivatives, including those related to debt facilities, interest or property investments, which may only be used to the extent (if any) permitted by any regulatory requirements applicable to the Company and/or the Investment Manager;
g) the entry by the Company into any transactions for the purchase of assets from, or provision of services of a material nature by, any affiliate of the Investment Manager, or for the sale of assets or provision of services of a material nature to any affiliate of the Investment Manager;
h) any disposal of any right, title or interest in any of the Company's properties at less than its acquisition cost; and
i) in relation to the valuation of the Company's properties, any variation from the RICS Red Book.

The Board is at all times free to offer ideas to the Investment Manager relating to the structure of a transaction so as to provide the Company the greatest value.

In addition, the Board makes certain other key decisions, including formulation and monitoring of Company strategy; the Company's risk management and internal control systems; dividend policy; and review of the performance and contractual arrangements with the Investment Manager.

The Board has a strong focus on property investment management to allow it access to a good knowledge base. As highlighted in the biographies of the Directors on pages 56 to 59, each of the Directors brings a different set of skills and experience to the Board. The Directors' diverse skill sets facilitate the consideration of issues at meetings of the Board from a range of perspectives and are relied upon in addressing major challenges facing the Company. The division of responsibilities between the Chairman and the Chief Executive Officer has been clearly established, set out in writing and agreed to by the Board.

For information on the Company's diversity policy, please refer to the Report of the Nomination Committee on page 74.

Committees of the Board

As recommended by the Codes, the Board has established the following three (3) committees: the Audit Committee, the Remuneration Committee and the Nomination Committee. The duties and responsibilities of each of these committees are set out clearly in written terms of reference, which have been approved by the Board. A report from each of these committees is set out below. Other committees have been and may be established from time to time in accordance with the Company's Constitution, including in connection with the negotiation and administration of the Company's credit facility or acquisition, development or commercial leasing transactions.

During the course of 2018, the membership of each of the Audit and Remuneration Committees changed. Further details of these changes are noted in the report of each of the Audit and Remuneration Committees set out below.

Board Meetings

Directors are expected to participate in all scheduled Board meetings as well as each annual general meeting. A schedule of Board meetings is circulated to the Board for the following year. Each committee also approves a committee work plan for the following year.

The Chairman oversees the conduct of all Board meetings, including ensuring that all aspects of the Group's activities receive appropriate attention.

All Directors are furnished with the information necessary to assist them in the performance of their duties. The Board meets at least four (4) times each calendar year and, prior to such meetings taking place, an agenda and board papers are circulated to the Directors so that they are adequately prepared for the meetings. The Company Secretary is responsible for the procedural aspects of the Board meetings.

The Board held 14 meetings this year. In addition, the Board held a strategy review session in November. As required by the Codes, the Chairman met during the year with the non-executive directors without the presence of the executive director.

Meetings and Attendance

Directors' attendance records at Board and committee meetings from 1 January 2018 until 31 December 2018 are set out in the table below. For Board and committee meetings, attendance is expressed as the number of meetings attended out of the number that each Director was eligible to attend.

	Board (4) (5)	Audit Committee	Remuneration Committee	Nomination Committee
Declan Moylan	14 of 14	N/A	4 of 4	6 of 6
Phillip Burns	14 of 14	N/A	N/A	6 of 6
David Ehrlich (1)	12 of 14	N/A	N/A	N/A
Joan Garahy	13 of 14	5 of 5	4 of 4	5 of 6
Tom Kavangh (2)	7 of 7	2 of 2	1 of 1	N/A
Aidan O'Hogan	13 of 14	5 of 5	4 of 4	6 of 6
Margaret Sweeney (3)	13 of 14	N/A	N/A	N/A

(1) David Ehrlich was not in attendance at one board meeting due to a conflict of interest in relation to the business to be considered.
(2) On 1 June 2018, Tom Kavanagh was appointed to the Board and was appointed as a member of the Audit Committee and a member of the Remuneration Committee. There were seven (7) Board meetings, two (2) Audit Committee meetings and one (1) Remuneration Committee meeting between 1 June 2018 and 31 December 2018.
(3) Margaret Sweeney was not in attendance at one board meeting due to a conflict of interest in relation to the business to be considered.
(4) Mark Kenney was appointed to the Board with effect from 1 January 2019, outside of the period reported above, and therefore is not included in this table.
(5) No director was absent from any quarterly board or committee meeting (as applicable).

Details of the Directors' and the Secretary's interests in the share capital of the Company are set out in the Interests of Directors and Secretary in share capital on page 77.

The Chairman does not have any other significant commitments.

Information and Support

Directors have access to Elise Lenser, the Company Secretary, and, where appropriate, are entitled to have access to independent professional advice at the expense of the Company.

Remuneration

Details of the remuneration of Directors are set out in the Report of the Remuneration Committee on pages 71 to 72.

Induction and Development of Directors

On appointment, new directors are provided with an induction on joining the Board. In addition, Directors are invited to tour part of the Group's property portfolio with the Chief Executive Officer or a senior representative of IRES Fund Management in order to familiarise themselves with the Group's operations, property management and a segment of the property portfolio. This meeting also provides new directors with an opportunity to ask any questions they may have on the nature and operations of the business, and on the implementation of the Group's business strategy. The Board also arranges for presentations from IRES Fund Management and the Group's other advisors on matters relevant to the Group's business. The Nomination Committee, on behalf of the Board, assesses the training needs of the Directors on at least an annual basis.

Risk Management and Internal Control

The Board has overall responsibility for the effectiveness of the Company's system of risk management and internal control. The Board has delegated responsibility for the monitoring of the effectiveness of this system to the Audit Committee. The work done by the Audit Committee in this area is set out in the Report of the Audit Committee on pages 65 to 69. The Board and the Audit Committee have ensured that the Investment Manager has maintained a robust system of risk management and internal control. The Board and the Audit Committee periodically review and consider if the risk management and internal control systems are operating effectively. They are assisted in this assessment by the risk management and internal audit functions of the Investment Manager.

The Board and the Audit Committee receive periodic reports from the Investment Manager's internal audit function and risk management function surrounding the risk management and internal control systems and their operating effectiveness. For further details on these systems, please see the Risk Management and Internal Control Systems section of the Risk Report on pages 41 to 43.

The Board confirms that there is an ongoing process for identifying, measuring and managing the significant risks, including any principal risks, faced by the Group in achieving its strategic objectives, that this process has been in place for the year ended 31 December 2018 and up to the date of approval of this Report, and that this process is regularly reviewed by the Board. For further details on the principal risks being faced by the Group, please see the Principal Risks and Uncertainties section of the Risk Report on pages 44 to 50.

Board Evaluation

The Board carries out an evaluation of its performance on an annual basis. The evaluation reviews the balance of skills, experience, independence and knowledge of the Board and the effectiveness of the Board and its committees in their workings. Directors are also evaluated individually to assess their contribution and effectiveness.

Having conducted a successful external evaluation in 2017 facilitated by the Institute of Directors in Ireland and reported in the Annual Report 2017, an internal evaluation was carried out in 2018.

For 2018, the various phases of the performance evaluation are set out below:

- The evaluation was facilitated using a self-evaluation questionnaire-based approach. Evaluation questionnaires were provided to each of the Directors in November 2018 to appraise: (a) the performance of the Board as a whole; (b) the performance of each committee of which the Director was a member; (c) their individual performance; and (d) the performance of each of the other Directors.
- The Directors were also asked to complete a skills matrix, the results of which are used by the Nomination Committee to identify any skills gaps and are considered in assessing candidates during the director nomination process.
- The Chairman presented the results of the performance evaluation process at a board meeting held on 21 February 2019.
- The senior independent non-executive director (the **"Senior Independent Director"**) also met with the non-executive director (other than the Chairman) to appraise the Chairman's performance and took into consideration the views of the executive director. The Senior Independent Director presented the results of the evaluation of the Chairman's performance at a board meeting held on 21 February 2019.

The Board considers that the use of individual questionnaires and follow-up meetings, if deemed necessary, provides a robust and objective approach to Board evaluation.

Given that the Company is a smaller company for the purposes of the Irish Annex, the Company is not required to engage an external facilitator to conduct the annual performance evaluation process, although the Company elected to appoint an external facilitator to conduct the performance evaluation process in 2017 on a voluntary basis.

Independence

Declan Moylan (Chairman), Aidan O'Hogan (Senior Independent Director), Joan Garahy and Tom Kavanagh are each considered independent for the purposes of the Listing Rules.

Margaret Sweeney is not considered to be independent as she is the Chief Executive Officer of the Company.

Mark Kenney is not considered to be independent due to his connection with CAPREIT, which is a significant shareholder of the Company. Also, CAPREIT is the parent company of CAPREIT LP and the Investment Manager is wholly-owned and controlled by CAPREIT LP. Mark Kenney is the President and Chief Operating Officer of CAPREIT. Pursuant to the terms of the Investment Management Agreement, IRES Fund Management is entitled to nominate and require the Company to appoint one person as a non-executive director. Mark Kenney succeeds David Ehrlich, who retired as a Director with effect from 31 December 2018, as IRES Fund Management's nominee. Mark Kenney also has a significant link to Phillip Burns, further details of which are disclosed directly below.

At the time of his appointment as a Director, Phillip Burns was regarded as an independent non-executive director. Following a decision of the Board on 29 March 2017, Phillip Burns was no longer considered to be independent, having regard to certain cross-directorships concerning the Company and European Commercial Real Estate Investment Trust (**"ECRE"**), a Canadian company that has its shares listed for trading on the TSX Venture Exchange and in respect of which Phillip Burns is the Chief Executive Officer, a director and a shareholder, and in which David Ehrlich is also a director and shareholder. Given that David Ehrlich is no longer a Director of the Company, such cross-directorships no longer exist. However, Phillip Burns is still considered to be non-independent having regard to Euronext Dublin Listing Rule 16.2.8 and the provisions of the UK Corporate Governance Code given that, (i) in connection with a proposed transaction entered into between ECRE and CAPREIT, it is intended that Phillip Burns will be appointed as a senior employee of CAPREIT (or its affiliate), which in turn has a material business relationship with the Company, which is the parent company of the Investment Manager and (ii) this appointment together with the proposed transaction between ECRE and CAPREIT gives rise to a significant link with another director on the Board of the Company, Mark Kenney, President and Chief Operating Officer of CAPREIT.

Senior Independent Director

The role of the Senior Independent Director is mainly to:

- provide a sounding board for the Chairman and to serve as an intermediary for the other Directors when necessary;
- respond to shareholders where contact through the normal channels of the Chairman or the Investment Manager has failed to resolve any concerns, or for which such contact is inappropriate;
- hold a meeting with non-executive directors at least annually (and on such other occasions as are deemed appropriate) to appraise the Chairman's performance, taking into account the view of the executive directors (if any); and
- obtain updates from the Chief Executive Officer and the Investment Manager on the views of major shareholders in order to help develop a balanced understanding of the issues and concerns of major shareholders.

Share Dealing Code

With effect from 3 July 2016, EU Market Abuse Regulation (596/2014) (**"MAR"**) repealed and replaced Market Abuse Directive (2003/6/EC) (MAD). As part of the changes introduced as a result of MAR, the Listing Rules were amended by the deletion of the Model Code, which regulated dealings in shares by persons discharging managerial responsibilities (**"PDMRs"**). Instead, new rules requiring listed companies to have effective systems and controls regarding PDMRs' securities dealing clearance procedures were introduced.

In order to comply with the provisions of MAR, the Company adopted a share dealing code for its PDMRs and applicable employees of the Group for the purpose of ensuring compliance by such persons with the provisions of MAR relating to dealings in the Company's securities and, in particular, requiring PDMRs to obtain prior clearance before dealing in the Company's securities. The share dealing code also sets out the periods in which share dealings are prohibited.

The Directors consider that this share dealing code is appropriate for a company whose shares are admitted to trading on Euronext Dublin. The Company continues to take appropriate steps to ensure compliance by the Directors and applicable employees with the terms of the share dealing code and the relevant provisions of MAR.

Details of each Director's interests in the Company's shares are set out in the Report of the Directors on page 77.

Communications with Shareholders

The Company recognises the importance of communications with shareholders. Presentations are made to both existing and prospective institutional shareholders, principally after the release of the interim and annual results but also as part of investor days organised by brokerage firms. Major acquisitions are also announced to the market and the Company's website (www.iresreit.ie) provides the full text of all announcements. The website also contains annual and interim reports and slide show investor presentations. The Board is kept informed of the views of shareholders by the Chief Executive Officer and the Investment Manager and receives analysts' reports on the Company. Furthermore, relevant feedback from investor meetings is provided to the Board on a regular basis. The Chairman and the other Directors also have the opportunity to meet shareholders and analysts at the Company's annual general meeting.

In 2018, Margaret Sweeney, the Chief Executive Officer of the Company, attended approximately 160 separate meetings and conference calls with existing and prospective shareholders. The Company also hosted several property tours for shareholders.

If shareholders wish to communicate directly with the Board, they should contact Margaret Sweeney or Elise Lenser, contact details for whom are provided in the Shareholder Information section on page 144 of this Report.

General Meetings of Shareholders

For a description of the operation of general meetings, the key powers of such meetings, shareholders' rights and the exercise of such rights at general meetings, see General Meetings in the Report of the Directors on page 83.

Review of the Investment Manager

The Board has reviewed the performance of the Investment Manager and is satisfied with the overall performance of the Investment Manager for the year ended 31 December 2018. For a detailed review of the business performance indicators, see pages 27 to 29 in the Business Performance Measures section.

In the opinion of the Directors, the continuing appointment of the Investment Manager on the terms of the Investment Management Agreement is in the interests of the shareholders as a whole and accordingly, the Investment Manager will continue in the performance of its duties for the 2019 financial year. The Directors have formed this view for the reasons set out in the Review of the Investment Manager section and based on the Business Performance Measures section on pages 27 to 29.

Remuneration Policy of the Investment Manager

The Investment Manager has established a remuneration policy which it applies in accordance with AIFMD and the guidelines on sound remuneration policies under AIFMD as issued by the European Securities and Markets Authority from time to time.

In the implementation of its remuneration policy, the Investment Manager aims to ensure good corporate governance and promote sound and effective risk management. It will not encourage any risk taking which would be considered inconsistent with the risk profile of the Group. The Investment Manager will ensure that any decisions are consistent with the overall business strategy, objectives, values and interests of the Group and will try to avoid any conflicts of interest which may arise.

The Investment Manager ensures that annually the remuneration policy is reviewed internally.

The total remuneration paid in the period to the staff of the Investment Manager, all of whom are engaged in managing the Group's activities, was €1.53 million, of which €1.34 million comprised fixed remuneration and €191,000 comprised variable remuneration. The number of staff employed as at 31 December 2018 was 46, (49 as at 31 December 2017), of which 27 site employees (26 site employees as at 31 December 2017) were charged to I-RES. There are no senior managers or members of staff of the Investment Manager whose actions have a material impact on the risk profile of the Company.

Compliance with Relevant Codes

The Directors are committed to maintaining high standards of corporate governance and this Corporate Governance Statement describes how the Company has applied the Codes in 2018. The Board considers that the Company has complied with the provisions set out in the Codes throughout the last financial year under review except that, as in prior years, the remuneration of the Directors under the long-term incentive plan (**"LTIP"**) does not comply in full with Schedule A to the UK Code. There is no minimum holding period for shares granted under the LTIP and options 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 the option grant. However, pursuant to the terms of Margaret Sweeney's employment agreement, she has agreed to hold in escrow one third of her last vested options (or shares acquired upon exercise of such options) for a period of 12 months following the end of her employment with the Company.

Report of the Audit Committee

Members: Joan Garahy (Chair), Tom Kavanagh and Aidan O'Hogan, with effect from 1 June 2018.
(From 1 January 2018 to 1 June 2018, the members were Joan Garahy (Chair) and Aidan O'Hogan.)

The Audit Committee is constituted in compliance with the Codes and Articles of Association regarding the composition of the Audit Committee. The Audit Committee is chaired by Joan Garahy, an independent non-executive director. All members of the Audit Committee were independent non-executive directors when appointed by the Board. All members are appointed for an initial term of up to three (3) years, which may be extended by the Board.

The terms of reference established for the Audit Committee were approved and adopted by the Board on 31 March 2014 (as amended on 2 April 2015, 11 March 2016, 1 November 2016, 29 March 2017, 1 November 2017 and 1 January 2019 to reflect, amongst other things, legislative changes and best practice). The roles and responsibilities delegated to the Audit Committee under the terms of reference can be accessed electronically at http://investorrelations.iresreit.ie/corporate-governance.aspx.

The Audit Committee meets at least four (4) times per year and otherwise as required. The Audit Committee met five (5) times during the period from 1 January 2018 to 31 December 2018 and the external auditor was in attendance at each meeting. The Chief Executive Officer and certain representatives of the Investment Manager attend the Audit Committee meetings, as required. The external valuer attends the Audit Committee meetings or Board meetings when the year-end and interim valuations of the Company's properties are being considered. The Company's tax advisors also meet with the Audit Committee bi-annually to address any tax developments and otherwise as required.

The Board is satisfied that the Audit Committee members are appropriately qualified and experienced to fulfil their roles and have a broad mix of skills and experience arising from senior roles they hold or have held with other organisations, and that the Audit Committee as a whole has competence relevant to the sector in which the Company operates. In accordance with the Codes, Ms. Garahy, in particular, is considered by the Board to have recent, significant and relevant financial experience.

The Audit Committee's principal duties include:

Reporting and External Audit

- to monitor and keep under review the scope and effectiveness of the Group's financial reporting;
- to monitor the integrity of the financial statements of the Group, including its annual and semi-annual financial reports and any other formal announcement relating to its financial performance;
- to review and report to the Board on summary financial statements and any financial information contained in certain other documents, such as announcements of a price-sensitive nature;
- to keep under review the adequacy and effectiveness of the Group's internal financial controls and risk management and internal control systems;
- to oversee the relations with the external auditor and to consider and make recommendations on the appointment, reappointment and removal of the external auditor;
- to ensure the independence and objectivity of the external auditor annually;
- to ensure that the provision of non-audit services by the external auditor does not impair the external auditor's independence or objectivity; and
- to review with the external auditor the findings of their work, including any major issues that arose during the course of the audit and have subsequently been resolved.

Valuations

- to monitor and review the valuation process;
- to review the valuation reports, assumptions and methodology; and
- to assess independent valuers' competence and effectiveness.

Risk and Internal Control

- to monitor and keep under review the scope and effectiveness of the Group's risk management and internal control systems; and
- to assess and review regular reports on such matters from the Company's Investment Manager, internal auditors (if any) and management.

Other

- to review the Audit Committee's terms of reference and monitor its execution; and
- to consider compliance with legal and other regulatory requirements, accounting standards and the Listing Rules.

The Audit Committee reviews its terms of reference on an annual basis and, if necessary, proposes for formal Board adoption amendments to the Audit Committee's terms of reference. The Audit Committee evaluates its own performance relative to its terms of reference.

How the Audit Committee Discharged its Responsibilities in 2018

During 2018, the Audit Committee held five (5) meetings. The Audit Committee members' attendance is set out on page 61. The Audit Committee's agenda is set based on the Group's financial calendar and the Audit Committee's work plan, which allows the Audit Committee to fulfil its role in an efficient manner. In the year under review, the principal activities of the Audit Committee were as follows:

- reviewed the appropriateness of Group accounting principles, practices and policies, and monitored changes to and compliance with accounting standards on an ongoing basis;
- reviewed the Group's interim report and this Report, including the financial statements contained therein, and considered the key areas of judgement before recommending them to the Board for approval;
- reviewed the Group's preliminary announcement of financial results;
- reviewed and approved the annual audit plan presented by the external auditor and approved the audit fees;
- reviewed and discussed the reports received from the external auditor following the audit process;
- reviewed and considered the Group's key risks, internal control policies and procedures and risk management systems, with particular reference to the operations of the Investment Manager;
- oversaw the valuation tender process and recommended Coldwell-Banker Richard Ellis (**"CBRE"**) as the new Group external valuator with effect for the financial year ending 31 December 2018;
- reviewed and considered the approach adopted by the independent valuer, including assumptions, procedures and methodologies applied in valuing the Group's property portfolio;
- considered the necessity for an internal audit function on an ongoing basis;
- reviewed the annual internal audit plan put forth by the Investment Manager's internal audit function;
- received reports throughout the year from the Investment Manager's risk management and internal audit functions in regards to work performed around the Group's system of risk management and internal controls;
- reviewed the Investment Manager's and the external auditor's fraud detection procedures;
- reviewed and recommended amendments, as required, to the Company's dividend policy, non-audit services policy, treasury policy, valuation policy, code of ethics, directors' compliance policy statement (and arrangements and structures in place to ensure compliance), signing authority and delegation policy, whistleblower policy, safety statement, anti-corruption policy, and statement on policies and procedures relating to margin requirements for non-centrally cleared derivatives;
- reviewed and amended the terms of reference for the Audit Committee with effect from 1 January 2019;
- reviewed the Company's policies and procedures relating to market abuse regulations;
- assessed the viability model for long-term sustainability; and
- reviewed the dividends to be paid and the unaudited company financials, and recommended them to the Board.

Financial Reporting and Significant Financial Judgements

With respect to this Report and the financial statements included therein, the Audit Committee assessed whether suitable accounting policies had been adopted and whether management had made appropriate judgements. The Audit Committee paid particular attention to matters which it considered could have a material impact on the Group's results and those matters which involve a higher level of complexity, judgement or estimation by management. The most significant matters considered by the Audit Committee in relation to this Report and the financial statements contained therein for the year were as follows:

Investment Property Valuations

The Group had investment property with a fair value of €921 million as at 31 December 2018, as set out in note 5 to the Group financial statements. The Audit Committee considered the investment property valuation process which had been carried out by management in order to satisfy itself that the balances were stated appropriately. These reviews involved the understanding of management's analytical procedures, management's discussions with CBRE, the Group's independent valuer, and assessment of the market inputs utilised on each property prior to recording the valuations obtained. The Audit Committee assessed the performance and independence of the valuer and is satisfied with its performance and that it is independent. The Investment Manager has confirmed to the Audit Committee that it is satisfied that the valuer conducted its work in accordance with the Royal Institution of Chartered Surveyors' Valuation Standards. In addition, the Audit Committee met with the independent valuer and discussed year-end valuations, valuation methodology and significant assumptions used. The Audit Committee also discussed the market dynamics with the valuer, focusing on the 2016 Rent Legislation and its impact on the year-end valuations. As the valuer relies as part of its assumptions on comparable evidence from recent market transactions to benchmark and support its valuations of the Group's properties, the Audit Committee assessed the relevance and appropriateness of these transactions, in conjunction with management. Following a review of the detailed valuation analysis provided by management and detailed discussions with management and the independent valuer, the Audit Committee was satisfied that the significant inputs used for valuation, any provisions recorded against valuation of the investment properties, and valuation of the investment properties were appropriate. The Audit Committee discussed the valuation process with management and the valuer, and confirmed from each of them that they are satisfied with the quality and accuracy of the property information provided to them. The external auditor also reviews the valuer's report, performs test work on the information provided by the Company to the valuer, meets with the valuer as part of their audit procedures, and communicates to the Audit Committee any comments or observations they may have.

Transactions with CAPREIT

Due to the close nature of the relationship between CAPREIT (or its affiliates) and I-RES, CAPREIT's shareholding in I-RES at 31 December 2018, and the provision of investment management services provided by IRES Fund Management, a subsidiary of CAPREIT, to I-RES, the Audit Committee and the external auditor discussed the risk of undisclosed related party transactions for the 2018 consolidated financial statements. The Audit Committee discussed the level of fees incurred in respect of management services received from CAPREIT and its affiliates, and discussed these with relevant management. The Audit Committee also considered the disclosures in the notes to the financial statements.

Other Matters

Other matters considered by the Audit Committee included the disclosure of non-IFRS measures (**"Alternative Performance Measures"**), tax compliance, and regulatory obligations and accounting disclosures.

Going Concern

The Audit Committee has reviewed a presentation from the Investment Manager in support of the Board's Statement of Going Concern as set out on page 43.

Viability Statement

The Audit Committee has reviewed a report from the Investment Manager and is satisfied that this assessment adequately addresses the principal risks disclosed in the Risk Report on pages 44 to 50 and that a three-year time horizon is appropriate to the Company's business. Furthermore, the Audit Committee has reviewed the assessment of the Group's viability by management, as stated on page 44. The review included:

- Key assumptions used;
- Assessment of prospects; and
- Assessment of viability.

REIT Status

The Audit Committee reviewed a report from the Investment Manager setting out the Company's compliance with the REIT requirements as at 31 December 2018. The Audit Committee has confirmed to the Board that the Company is in compliance with the REIT rules.

Fair, Balanced and Understandable

The UK Code requires that the Board should present a fair, balanced and understandable assessment of the Company's position and prospects, and specifically that they consider that the annual report and financial statements included therein, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

At the request of the Board, the Audit Committee considered whether this Report and financial statements included therein met these requirements.

The Audit Committee considered the process put in place by management for the preparation of the annual report and financial statements included therein, and in particular the timetable, coordination and review activities. The Audit Committee discussed these arrangements with management.

Arising from the Audit Committee's work in this regard, the Audit Committee and the Board concluded that this Report and financial statements included therein, taken as a whole, are fair, balanced and understandable, and that they provide the necessary information for shareholders to assess the Company's position and performance, business model and strategy.

Risk Management and Internal Controls

The Board has delegated responsibility to the Audit Committee to monitor the Group's risk management and internal control systems. In order to discharge this responsibility for the period from 1 January 2018 to 31 December 2018, the Audit Committee:

i) conducted an annual review of the effectiveness of the Group's risk management and internal control systems and reported to the Board on its findings;
ii) received presentations from the Investment Manager's risk management function and internal audit function;
iii) reviewed the Group's principal risks and uncertainties quarterly;
iv) reviewed quarterly reports from the Investment Manager relating to investment management, fund risk management, regulatory compliance, operational risk management, capital and financial management and distribution;
v) received quarterly updates on any internal control compliance issues or material legal matters; and
vi) reviewed quarterly reports relating to the internal controls of the Investment Manager and CAPREIT LP.

In addition, the Board, as a whole, reviews quarterly reports from the Investment Manager and operations updates relating to key performance indicators.

The Chair of the Audit Committee reports to the Board at each meeting on the Audit Committee's activities in regard to the Group's risk management and internal control systems.

External Audit

One of the key roles of the Audit Committee is to monitor the performance, objectivity and independence of the external auditor. Open, direct and honest communication between the Audit Committee, the external auditor and the senior management team is essential in ensuring both an effective audit and auditor independence.

In November 2018, the Audit Committee met with the external auditor to agree the FY2018 audit plan. To ensure a quality audit, the external auditor needs to be aware of the business risks; therefore, the Audit Committee discussed and agreed upon the key business, financial statements and audit risks, and the materiality being used for the audit, to ensure that the audit was appropriately focused. In advance of the commencement of the annual audit, the Audit Committee reviewed the external auditor's letter of engagement, together with a presentation from the external auditor confirming their independence within the meaning of the regulations and professional standards.

In February 2019, in advance of the finalisation of the Group's financial statements for the year ended 31 December 2018, the Audit Committee received a report from the external auditor on their key audit findings, including the key areas of risk and significant judgements, and discussed the issues with them in order for the Audit Committee to form a judgement on the financial statements.

In order to assist the Audit Committee in evaluating the external audit process and to ensure continuous improvement, following the completion of the audit, the Audit Committee members discussed with the management team the effectiveness of the external auditor and the external audit process in general.

At least annually, the Audit Committee meets with the external auditor without the presence of management to discuss any matters the external auditor may wish to raise. The Audit Committee continues to be satisfied with the performance of the external auditor, who remains effective, objective and independent.

Report of the Audit Committee

In accordance with the Statutory Audit Directive of 15 June 2016 (Statutory Instrument SI 312 of 2016), which introduced prohibitions on the provision of certain non-audit services by a statutory auditor, the Audit Committee oversaw a competitive tender process that commenced on 9 August 2017. The tender process involved the following steps:

(i) Invitations to tender of interested audit firms
(ii) Dissemination of data and financial information relevant to audit tender proposals to the firms
(iii) Discussions and meetings between management and prospective audit firms
(iv) Submission of proposals by firms
(v) Presentation of proposals by firms to the Audit Committee and executive decision-makers
(vi) Evaluation of proposals by the Audit Committee based on the proposed fee structure, the proposed audit approach, and the composition of the audit team
(vii) Appointment of the successful audit firm by the Board based on the Audit Committee's recommendation

At the completion of the tender, the Board approved the appointment of KPMG as statutory auditor with effect for the financial year ended 31 December 2018 subject to approval by shareholders at the 2018 annual general meeting, with PricewaterhouseCoopers retiring as statutory auditor after completing the audit for the financial year ended 31 December 2017. The Group continues to retain PricewaterhouseCoopers for tax and other non-audit services.

In accordance with Section 383 of the Companies Act, 2014, the Board formally recommended the new appointment to shareholders, along with a resolution to authorise the Directors to determine the auditors' remuneration, at the 2018 annual general meeting.

Independence and Non-Audit Services

The Company has a policy on non-audit services. The level of non-audit services provided by the external auditor is reviewed at least on a quarterly basis and, in conjunction with the external auditor, the impact on independence and objectivity is assessed.

The independence and objectivity of the auditors was addressed by the Audit Committee in conjunction with the level of fees for non-audit services in the reporting period. KPMG completes the audit of the financial statements and PWC completes the tax related workings, ensuring that both parties remain independent. Following discussion with the external auditors, the Audit Committee determined that the fees for non-audit services were lower than the audit fees for the year ended 31 December 2018. In addition, the only non-audit service performed by our external auditor, KPMG, in 2018 was the 30 June 2018 interim financial statement review.

The Audit Committee concluded that the independence and objectivity of the external auditor have not been compromised.

Details of the amounts paid to the external auditor during the year for audit and non-audit services are set out in note 22 to the Group financial statements.

Internal Audit

In accordance with the UK Code, the Audit Committee has considered the Group's scale, complexity and range of operations, including its external management structure in relation to operations. Based on the foregoing, the Audit Committee has recommended to the Board that it does not believe it is necessary to establish an internal audit function. Rather, the Audit Committee has assessed the Investment Manager's internal audit function and believes it to be of sufficient quality, experience and expertise appropriate for its business, and that the Investment Manager's internal audit function has sufficient independence and access to the resources and information of the Investment Manager and the Group to be able to assist the Audit Committee and the Board in discharging their responsibilities with regards to assessing the effectiveness of the Group's risk management and internal control systems. Additionally, the Audit Committee has direct access to the Investment Manager's internal audit function through quarterly Audit Committee meetings, including in-camera sessions, as required. Furthermore, the Audit Committee assesses the annual internal audit plan put forth by the Investment Manager's internal audit function and receives periodic reports of the work performed under the plan. The Board concurs with the Audit Committee's recommendation not to establish an internal audit function for the Group.

The Audit Committee will continue to review this position annually and make appropriate recommendations to the Board.

Report of the Remuneration Committee

Members: Aidan O'Hogan (Chair), Joan Garahy, Tom Kavanagh and Declan Moylan, with effect from 1 June 2018.
(From 1 January 2018 to 1 June 2018, the members were Aidan O'Hogan (Chair), Joan Garahy and Declan Moylan.)

The Remuneration Committee is chaired by Aidan O'Hogan. All members of the Remuneration Committee were independent non-executive directors when appointed by the Board. All members are appointed for an initial term of up to three (3) years, which may be extended by the Board. The members of the Remuneration Committee bring a range of experience relating to small, medium and large organisations and public companies, including experience in the area of senior executive remuneration, to enable the Committee to fulfil its role.

The Remuneration Committee is constituted in compliance with the Codes and the Articles of Association regarding the composition of the Remuneration Committee. As highlighted in the biographies of each member of the Remuneration Committee on pages 56 to 59, each of the members of the Remuneration Committee brings a different set of skills and experience to the Remuneration Committee.

The Remuneration Committee meets at least once per year and as otherwise directed.

The Remuneration Committee met four (4) times during the period from 1 January 2018 to 31 December 2018.

The terms of reference for the Remuneration Committee were approved and adopted by the Board on 31 March 2014 (as amended on 26 May 2015, 29 March 2017, 1 November 2017 and 1 January 2019). The roles and responsibilities delegated to the Remuneration Committee under the terms of reference can be accessed electronically at http://investorrelations.iresreit.ie/corporate-governance.aspx.

The Remuneration Committee's principal duties include:

- to determine and agree to with the Board the framework or broad policy for the remuneration of all executive directors and the chairman, including pension rights and any compensation payments, and to recommend and monitor the level and structure of remuneration for senior management (if any);
- to take into account all factors which it deems necessary in determining any such remuneration policy;
- to liaise with the Nomination Committee to ensure that the remuneration of newly appointed executives is within the Company's overall policy;
- to determine the policy for and scope of pension arrangements, service agreements, termination payments and compensation commitments for the executive directors;
- to approve the design of, and determine targets for, any performance-related pay schemes operated by the Company, approving the total annual payments made under such schemes and asking the Board, when appropriate, to seek shareholder approval for any long-term incentive arrangements; and
- to review the design of all share incentive plans for approval by the Board and shareholders and, for any such plans, to determine each year whether awards will be made and, if so, the overall amounts of such awards, the individual awards to eligible individuals as it so determines and the performance targets to be set.

No Director may be involved in any decisions in respect of his or her own remuneration.

Statement on Remuneration Policy

Executive Compensation

The Company's policy is to ensure that executive compensation includes a mix of base salary and short-term and long-term incentive awards. The mix of executive compensation should be designed to reflect the relative impact of the executive's role on the Company's performance and should consider how the compensation mix aligns with long-term shareholder value creation.

In determining the target mix of compensation, the Remuneration Committee considers market compensation data available for comparator real estate investment trusts, which shall include real estate investment trusts in jurisdictions inside and outside of Ireland (including countries where executives are employed and paid by the real estate investment trust), to ensure that the compensation mix is competitive with comparator real estate investment trusts and appropriate in light of the Company's business strategy.

Executive Compensation in 2018 – Margaret Sweeney

Pursuant to an employment contract entered into as of 1 November 2017 between the Company and Margaret Sweeney (as it may be amended from time to time), Ms. Sweeney is entitled to an annual base salary of €330,000 from the Company and, subject to the discretion of the Remuneration Committee, an annual bonus of up to but not exceeding 100% of her base salary. The bonus is subject to clawback where the amount of bonus received was calculated based upon, or contingent on, the achievement of certain financial results that were subsequently the subject of or affected by a restatement of all or a portion of the Company's consolidated financial statements; engagement in gross negligence, intentional misconduct or fraud that caused or partially caused the need for the restatement, as finally determined (beyond any right of appeal) by a court of competent jurisdiction; and the bonus payment received would have been lower had the financial results been properly reported. Ms. Sweeney's bonus for the financial year 2018 was approved at 100% of her base salary given that Ms. Sweeney had satisfied the 2018 bonus criteria. The Company is also required to make an annual employer contribution of an amount equivalent to 15% of her base salary into a Revenue approved pension scheme nominated by Ms. Sweeney. Margaret Sweeney is also entitled to a benefits allowance equivalent to €20,000 per annum. Margaret Sweeney is also entitled to be paid her full remuneration (net of any social welfare benefits) during any periods of inability to work due to illness or accident, not exceeding in aggregate six weeks in any consecutive 12-month period; and thereafter six weeks' half remuneration (net of any social welfare benefits).

In addition, Margaret Sweeney is entitled to participate in the LTIP and, under her employment contract, she was granted 2,000,000 options on 16 November 2017 and is entitled to be awarded options to acquire 3% of the number of shares issued by the Company from time to time pursuant to any equity raise (private or public) of the Company at an exercise price equal to the greater of the price per share of such offering and the closing price of the Company's shares on the date of admission of such shares on the Irish Stock Exchange plc, now trading as Euronext Dublin (**"Euronext Dublin"**) (or such other stock exchange) pursuant to the LTIP or any such similar equity incentive plan. Pursuant to the terms of Margaret Sweeney's employment agreement, she has agreed to hold in escrow one third of her last vested options (or shares acquired upon exercise of such options) for a period of 12 months following the end of her employment with the Company.

The total remuneration received by Ms. Sweeney in respect of her role as Chief Executive Officer of I-RES in 2018 is set out on page 72 of this Report.

Non-Executive Director Fees

The remuneration of the non-executive directors is determined by the Board as a whole. No director may be involved in any decisions in respect of his or her own remuneration.

Levels of remuneration for non-executive directors reflect the time commitment and responsibilities of the role. The fees paid to non-executive directors should therefore be set at a level which aims to attract individuals with the necessary experience and ability to make a significant contribution to the Company and to compensate them appropriately for their role. The Board will review its performance on an annual basis and will review the remuneration level of the directors during the term of their respective appointments.

Directors' Remuneration Report

The Company has one executive director. In 2018, the bonus criteria for Margaret Sweeney were approved. In February 2019, an annual bonus for Margaret Sweeney equal to 100% of her base salary was approved for the period 1 January 2018 to 31 December 2018.

Save for circumstances permitting immediate termination, Margaret Sweeney's contract of employment with the Company is subject to notice periods of six months from the executive and 12 months from the Company. The Company has the benefit of standard pay-in-lieu of notice and garden leave provisions, and on termination of employment the right to terminate Margaret Sweeney's directorship immediately.

For further details on the LTIP and the details of grants to each director, refer to note 9 of the Group financial statements on page 109, which have been reviewed by the external auditor. The Company's only pension scheme relates to Margaret Sweeney, CEO.

In late 2018, the Remuneration Committee engaged remuneration consultants, Willis Tower Watson, which have no other relationship with the Group or any individual director, to review and benchmark the Company's executive and non-executive director remuneration. The fees accrued and owing to Willis Tower Watson are €17,000.

Executive Directors' Remuneration (not including LTIP) [3]

Name	Base Salary	Value of Benefits	Bonus	Total for Period to 31 December 2018	Total for Period to 31 December 2017
	€'000	€'000	€'000	€'000	€'000
David Ehrlich [1][2]	–	–	–	–	587
Margaret Sweeney	330	20	330	680	127
Total	330	20	330	680	714

(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 CEO of I-RES and there are two permanent employees of I-RES as of 31 December 2018 including Margaret Sweeney.
(2) David Ehrlich's 2017 remuneration was paid for his role as CEO of I-RES until 31 October 2017 in the amount of €287,000 (base salary), €286,000 (bonus) and €14,000 (benefits).
(3) No payments for compensation for loss of office, payments for breach of contract or other termination payments were made in the period under review.

Non-Executive Directors' Remuneration

Name	Annual Fee as at 1 January 2018	Total for Period to 31 December 2018	Total for Period to 31 December 2017
	€'000	€'000	€'000
Phillip Burns	50	50	50
David Ehrlich [1]	–	–	–
Joan Garahy	75	75	39
Tom Kavanagh [2]	–	29	–
Declan Moylan	100	100	88
Aidan O'Hogan	75	75	54
Margaret Sweeney [3]	–	–	56
Total	300	329	287

(1) David Ehrlich did not receive a fee for his role as a Director.
(2) Tom Kavanagh was appointed to the Board with effect from 1 June 2018. Mr. Kavanagh's annual fee for his non-executive role is €50,000.
(3) Margaret Sweeney served as a non-executive director until 1 November 2017 for which she received a fee as set out above. Margaret Sweeney was appointed as CEO and Executive Director with effect from 1 November 2017 and her total remuneration received in that capacity is set out in the Executive Directors' Remuneration table above.

Outstanding Awards of Options over Shares to Directors

Options over shares were awarded in April 2014, March 2015 and November 2017 in accordance with, and as governed by, the LTIP. The options granted under the LTIP have a maximum life of seven years less a day and 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 provides that any award to executive directors, participants in the LTIP who report directly to the Chief Executive Officer and such other participants as the Remuneration Committee shall determine will include a provision for clawback if the financial results of the Company for the relevant period have been misstated to a material extent.

Under the terms of her employment contract with the Company, Margaret Sweeney is entitled to be awarded options to acquire 3% of the number of shares issued by the Company from time to time pursuant to any equity raise (private or public) of the Company at an exercise price equal to the greater of the price per share of such offering and the closing price of the Company's shares on the date of admission of such shares on Euronext Dublin (or such other stock exchange), pursuant to the LTIP or any such similar equity incentive plan.

The table below sets out the details of outstanding awards of options over shares held by Directors under the LTIP.

Director	Grant Date [1]	Exercise Price (€)	No. of Options 01-Jan-18	Options Granted during the Period	Options Vested during the Period	Options Exercised during the Period	Options Cancelled/ Forfeited during the Period	No. of Options 31-Dec-18	Exercise Date	Market Price on Exercise Date	Vesting Date(s)	Latest Date for Exercise
David Ehrlich [2]	16-Apr-14	1.04	6,060,000	–	–	6,060,000	–	–	15-May-18	1.386	One third in each year starting 16-Apr-2015	15-Apr-21
David Ehrlich	26-Mar-15	1.005	6,450,000	–	2,150,000	6,450,000	–	–	15-May-18 2-Nov-18	1.386 1.450	One third in each year starting 26-Mar-2016	25-Mar-22
Margaret Sweeney	16-Nov-17	1.489	2,000,000	–	666,667	–	–	2,000,000			One third in each year starting 16-Nov-2018	15-Nov-24

(1) Options were first granted at I-RES' initial offering on 16 April 2014.
(2) 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 at 1.3773 per share.
(3) For the year ended 31 December 2018, the value of LTIP awards that vested in 2018 was €4.0 million, based on the average share price of €1.423 for the three months to 31 December 2018.

The Directors did not receive any additional remuneration for duties beyond those normally expected as part of each Director's appointment. After David Ehrlich exercised his options to acquire 12,510,000 shares, he subsequently sold those shares to CAPREIT. David Ehrlich has a gain of €4.4 million from the sale of those shares.

Executives' external appointments

Executive directors are permitted to take on external appointments with another publicly listed company with the prior approval of the Board. The Board recognises that there are benefits to both the Company and the executive director for the executive director to serve as a non-executive board member of other companies. The executive director is permitted to retain any payments received in respect of such appointments.

On 27 February 2014, Margaret Sweeney was appointed as a non-executive director of Dalata Hotel Group plc, for which she receives an annual fee of €75,000. In addition, fees related to other directorships received for the period 1 January 2018 to 31 December 2018 amounted to c. €35,000.

Report of the Nomination Committee

Members: Declan Moylan (Chair), Phillip Burns, Joan Garahy and Aidan O'Hogan for the period 1 January 2018 to 31 December 2018.

The Nomination Committee is chaired by Declan Moylan, who is also the Chairman. All members are appointed for an initial term of up to three (3) years, which may be extended by the Board. Such initial period expires on 23 March 2019 in respect of Phillip Burns. Accordingly, the Board has agreed that the appointment of Phillip Burns shall be extended for a further period of up to three years (subject to him continuing to meet the criteria for membership of the committee).

As the Company considers the Chairman of the Company to be independent, the Nomination Committee is constituted in compliance with the Codes and the Articles of Association regarding the composition of the Nomination Committee.

The Nomination Committee meets at least once per year and as otherwise required. The Nomination Committee met six (6) times during the period from 1 January 2018 to 31 December 2018.

The Nomination Committee leads the process for considering appointments to the Board. The Nomination Committee may not be chaired by the Chairman when it is dealing with the matter of succession to the chairmanship of the Company. The terms of reference for the Nomination Committee were approved and adopted by the Board on 31 March 2014 (as amended on 29 March 2017, 1 November 2017 and 1 January 2019). The roles and responsibilities delegated to the Nomination Committee under the terms of reference can be accessed electronically at http://investorrelations.iresreit.ie/corporate-governance.aspx.

The Nomination Committee's principal duties include:

(a) to regularly review the structure, size and composition of the Board and the Board committees, evaluate the balance of skills, knowledge and experience on the Board and the Board committees, and make recommendations to the Board with regard to any adjustments that are deemed necessary;
(b) to be responsible for identifying and nominating, for the approval of the Board, candidates to fill board vacancies as and when they arise, ensuring that the procedures followed are formal, rigorous and transparent; and
(c) to satisfy itself with regard to succession planning that processes and plans are in place with regard to both Board and senior appointments.

The Board is committed to supporting diversity on the Board. The Board has a Diversity Policy which applies to all members of the Board, the objective of which is to set out the approach to achieving diversity. In implementing this policy, during the selection process for new non-executive directors (including the process adopted for the appointment of Tom Kavanagh in 2018), the Nomination Committee ensures that diversity is considered when developing a candidate pool. External search agencies are engaged to assist with this process if required. In considering diversity, all potential considerations are taken into account, including diversity of skills, background, experience as well as gender, in all cases, having regard to the Company's current and future plans and objectives, the current Board composition and the right of the Investment Manager to appoint its own nominee to the Board. The Nomination Committee also considers diversity in determining the optimum composition of the Board each year and diversity forms part of the Board effectiveness evaluation process.

Currently, 29% of the directors on the Board are woman, which includes the Company's Chief Executive and Chair of the Audit Committee.

Given the size of the Board and the development stage of the Company, the Board does not consider it appropriate at this time to set gender quotas for Board representation.

In its work in the area of Board renewal, the Nomination Committee looks at a number of issues:

- skills, knowledge and expertise in areas relevant to the operation of the Board;
- diversity; and
- the need for an appropriately sized Board.

Each non-executive director participates fully in Board discussions and attends all possible Board and/or committee meetings in order to do so. In addition, each non-executive director brings a distinct range of abilities and experience that complements those brought by the other non-executive directors. Each non-executive director, including the Chairman of the Board, is expected to serve until the end of the annual general meeting following the third anniversary of his or her appointment unless his or her appointment is otherwise terminated earlier in accordance with the terms of his or her letter of appointment or he or she is invited by the Board and agrees to serve for an additional period.

The number of directors is currently considered by the Nomination Committee to be sufficiently small to allow efficient management of the Company while being large enough to ensure an appropriate mix of skills and experience. As previously announced, in connection with the appointment of Margaret Sweeney to succeed David Ehrlich as Chief Executive Officer on 1 November 2017 and the loss of Thomas Schwartz as a Director on 15 August 2017, the Nomination Committee undertook a process to identify a new independent non-executive director. Tom Kavanagh was appointed an independent non-executive director with effect from 1 June 2018.

Following the performance evaluation conducted by the Board as described further on page 62 of this Report, it has been confirmed that each Director continues to be effective and to demonstrate commitment to the role and should be put forward for re-election at the Company's annual general meeting to be held on 28 May 2019.

Work of the Nomination Committee

Changes to Board composition in 2018

In connection with the appointment of Margaret Sweeney to succeed David Ehrlich as Chief Executive Officer on 1 November 2017 and the loss of Thomas Schwartz as a Director on 15 August 2017, Tom Kavanagh was appointed as an independent non-executive director of the Company with effect from 1 June 2018. Leaders Mores, an external search consultancy, was used in the recruitment of Tom Kavanagh. Leaders Mores did not have any prior relationship with the Company or any of its individual Directors.

Neither an external search consultancy nor open advertising was used in the appointment of Mark Kenney. Under the terms of the Investment Management Agreement, the Investment Manager (IRES Fund Management Limited) is entitled to nominate and require the Company to appoint one person as a non-executive Director of the Company. Mark Kenney succeeds David Ehrlich, who ceased to be a director on 31 December 2018, as the Investment Manager's nominee with effect from 1 January 2019.

Work of the Nomination Committee

Changes to Committee composition in 2018

In connection with the appointment of Tom Kavanagh as an independent non-executive director, the Nomination Committee reviewed the structure, size and composition (including the skills, knowledge, experience, independence and diversity) of each of the Audit Committee and Remuneration Committee and following that review, the Nomination Committee recommended to the Board that Tom Kavanagh be appointed as a member of the Audit Committee and Remuneration Committee with effect from 1 June 2018.

The Board as a whole considered whether any changes were necessary to the composition of the Nomination Committee and it was determined that no changes to the composition of the Nomination Committee were required.

Report of the Directors

The Directors of the Company present their report and the audited financial statements for the financial period from 1 January 2018 to 31 December 2018.

Principal Activity

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 the Irish Stock Exchange for trading on the regulated market for listed securities of the Irish Stock Exchange (now trading as Euronext Dublin). Its registered office is Unit 4B Lazer Lane, Grand Canal Square, Dublin 2, Ireland. Ordinary shares of I-RES are listed on Euronext Dublin under the symbol "IRES." The Company owns interests primarily in residential rental accommodations and ancillary and/or strategically located commercial properties located in and near major urban centres in Dublin, Ireland. I-RES' net assets and operating results are derived from real estate located in Ireland, where it is also domiciled. The Company purchased its first investment interests in investment properties on 10 September 2013.

Review of Activities, Business Performance Measures, and Events since the Year End

The Chairman's Statement on pages 12 to 13, the Chief Executive Officer's Statement on pages 14 to 19, the Investment Manager's Statement on pages 20 to 21, and the Business Review section of the Investment Manager's Review on pages 24 to 29 contain a review of the development and performance of the business during the year, the state of affairs of the business at 31 December 2018, recent events and likely future developments. Information in respect of events since the year end as required by the Companies Act, 2014 is included in these sections and in note 24 of the Group financial statements on page 124.

The Corporate Governance Statement on pages 60 to 64, the Report of the Audit Committee on pages 65 to 69, the Report of the Remuneration Committee on pages 70 to 73, the Report of the Nomination Committee on pages 74 to 75 and the Review on pages 12 to 54 are deemed to be included in this Report of the Directors for the purposes of the Companies Act, 2014.

This Report, the documents referred to therein, which include a description of the principal risks and uncertainties facing the Company, the Chairman's Statement on pages 12 to 13, the Chief Executive Officer's Statement on pages 14 to 19, the Investment Manager's Statement on pages 20 to 21, the Business Review section of the Investment Manager's Review on pages 24 to 29 and the Risk Report on pages 41 to 50 are deemed to be the management report as required by the Transparency (Directive 2004/109/EC) Regulations 2007 (the **"Transparency Regulations"**).

Revenue for the financial period amounted to €50.61 million (€44.69 million for the 2017 year). The profit for the year attributable to shareholders amounted to €119.79 million (€65.08 million for the 2017 year). Basic Earnings per Share and Diluted Earnings per Share amounted to 28.0 cents and 27.8 cents, respectively (15.6 cents and 15.4 cents for the 2017 year). EPRA Earnings per Share were 6.5 cents (6.0 cents for the 2017 year), and EPRA NAV per share was 142.0 cents (118.5 cents as at 31 December 2017). Further details of the results for the year are set out in the consolidated statement of profit or loss and other comprehensive income on page 92.

REIT Status

The Company elected for REIT status on 31 March 2014 under section 705 E of the Finance Act, 2013. As a result, the Company does not pay Irish corporation tax on the profits and gains from qualifying rental business in Ireland from that date, provided it meets the conditions.

As an Irish REIT, the Company is required 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 (provided it has sufficient distributable reserves). Failure to meet this requirement will result in an Irish REIT incurring a tax charge calculated by reference to the extent of the shortfall in the dividends paid.

The Company is in compliance with all the above REIT requirements for the period from 1 January 2018 to 31 December 2018.

Dividends

Under the Irish REIT regime, subject to having sufficient distributable reserves, the Company is required in August to distribute to shareholders at least 85% of the Property Income of its Property Rental Business for each accounting period and for each interim period. It is the Board's intention to propose semi-annual dividends payable in March and September.

Accordingly, in 2018, the Board paid dividends of approximately €21.7 million for the 2017 accounting period and approximately €11.2 million in respect of the period from 1 January 2018 to 30 June 2018. On 22 February 2019, the Directors declared an additional dividend of €13.0 million (dividends per share of 3.0 cents) for the year ended 31 December 2018, to be paid on 29 March 2019 to shareholders on record as of 8 March 2019, which brings the total dividend per share for the year to 5.6 cents per share. This dividend was made up of a Property Income Distribution (**"PID"**), as defined in the Irish REIT Legislation.

Share Capital

The authorised share capital of the Company is 1,000,000,000 ordinary shares of €0.10 each, of which 434,153,946 shares were in issue at 31 December 2018. All of these shares are of the same class. They all carry equal voting rights and rank equally for dividends. No shares in the Company were acquired or redeemed by the Company during the financial period ended 31 December 2018, or made subject to charge or lien. There are no securities holding special rights with regard to control of the Company. Particulars of the authorised and issued share capital of the Company as at 31 December 2018 are set out in note 10 of the Group financial statements on page 110.

During the financial period ended 31 December 2018 and as at 21 March 2019, the Company held no shares in treasury, and no subsidiary undertaking of the Company held shares in the Company.

There are no restrictions on the transfer of shares in the Company and no requirements to obtain approval of the Company, or of other holders of securities in the Company, for a transfer of shares in the Company, save that the Directors may decline to register any transfer of a share:

- to or by a minor or a person with a mental disorder (as defined by the Mental Health Act, 2001);
- in certain circumstances where the Directors have given notice to a shareholder under the Articles of Association requiring such shareholder to notify the Company of his or her interest in any shares in the Company and is in default for a prescribed period in supplying such information to the Company;
- if the transfer is in favour of any person, as determined by the Directors, to whom a sale or transfer of shares, or whose direct, indirect or beneficial ownership of shares would or might cause a specific regulatory burden to be imposed on the Company, such as under the US Securities Exchange Act of 1934;
- in certificated form where the following documents have not been produced: the original share certificate and the usual form of stock transfer, duly executed by the holder of the shares and stamped with the requisite stamp duty; and
- in uncertificated form only in such circumstances as may be permitted or required by the CREST Regulations.

Interests of Directors and Secretary in Share Capital

The current Directors, with the exception of Mark Kenney, and the Secretary had no interests in the share capital at their date of appointment. On 1 January 2019, Mark Kenney was appointed as a non-executive director of I-RES. At the time of his appointment, Mark Kenney held 1,500,000 options of I-RES in his capacity as an employee of CAPREIT.

The movement in Directors' and Secretary's shares during the year is set out below:

Name	Ordinary Shares as at 1 Jan 2018	Ordinary Shares as at 31 Dec 2018	% of Company at 31 Dec 2018	Outstanding Option Awards at 1 Jan 2018	Outstanding Option Awards at 31 Dec 2018	Ordinary Shares as at 21 March 2019
Phillip Burns	–	–	–	–	–	–
David Ehrlich	500,000	500,000	0.12%	12,510,000	–	500,000
Joan Garahy	–	34,850	0.01%	–	–	34,850
Tom Kavanagh	–	65,000	0.01%	–	–	65,000
Declan Moylan	65,000	100,000	0.02%	–	–	150,000
Aidan O'Hogan	90,000	90,000	0.02%	–	–	90,000
Margaret Sweeney	–	124,680	0.03%	2,000,000	2,000,000	124,680
Elise Lenser	–	–	–	250,000	250,000	–
Totals	**655,000**	**914,530**	**0.21%**	**14,760,000**	**2,250,000**	**964,530**

In accordance with the disclosure requirements prescribed by Euronext Listing Rule 6.8.3(1), the interests disclosed above include both direct and indirect legal and beneficial interests in shares.

Lock-up Arrangements

Pursuant to the terms of David Ehrlich's employment agreement, David Ehrlich agreed to hold in escrow one third of his last vested options (or shares acquired upon exercise of such options) for a period of 12 months following the end of his employment with the Company on 1 November 2017. These options were released from escrow on 1 November 2018 and exercised by David Ehrlich on 2 November 2018.

Pursuant to the terms of Margaret Sweeney's employment agreement, Margaret Sweeney agreed to hold in escrow one third of her last vested options (or shares acquired upon exercise of such options) for a period of 12 months following the end of her employment with the Company.

The Company is not aware of any other arrangements between its shareholders which may result in restrictions on the transfer of securities or voting rights.

Employee Share Schemes

Options are issuable pursuant to I-RES' share-based compensation plan, namely, the LTIP. Eligible participants include employees or executive directors of the Company and certain trustees and employees of CAPREIT and its affiliates. Further details on the LTIP are included in note 9 of the Group financial statements.

Powers of the Board

The Directors are responsible for the management of the business of the Company and may exercise all the power of the Company subject to applicable legislation and regulation and the Company's Constitution.

The Directors' powers to allot, issue, repurchase and reissue ordinary shares are dependent on the terms of the resolutions from time to time in force so empowering the Directors. At the Company's 2018 annual general meeting, the Directors were given the power to:

- issue new shares up to a nominal amount of €20,884,800.30, representing half (50%) of the nominal value of the Company's issued share capital;
- disapply statutory pre-emption rights in connection with issues of ordinary shares for a nominal cash value equivalent to up to 10% of the nominal value of the issued share capital (5% of which, in line with the Pre-emption Group's Statement of Principles, is to be exercised solely in connection with an acquisition or specified capital investment);
- make market purchases of the Company's ordinary shares up to 15% of the issued ordinary shares in the Company and to reissue those shares; and
- reissue repurchased shares and set a reissue price range.

The authorities described above are due to expire at the conclusion of the 2019 annual general meeting of the Company or 15 months from the passing of the resolution.

In line with market practice, the Directors are proposing resolutions on the same or similar terms at the 2019 annual general meeting.

Rules concerning the appointment and removal of Directors of the Company

Directors are appointed on a resolution of the shareholders at a general meeting, usually the annual general meeting, either to fill a vacancy or as an additional Director. The Directors have the power to fill a casual vacancy or to appoint an additional Director (within the maximum number of Directors fixed by the Company in a general meeting), and any Director so appointed holds office only until the conclusion of the next annual general meeting following his or her appointment, when the Director concerned shall retire, but shall be eligible for reappointment at that meeting.

No person other than a Director retiring at a general meeting may be appointed a Director at any general meeting unless (i) he or she is recommended by the Directors or (ii) not less than seven (7) nor more than thirty (30) clear days before the date appointed for the meeting, notice executed by a shareholder qualified to vote at the meeting has been given to the Company of the intention to propose that person for appointment stating the particulars which would be required, if he or she were so appointed, to be included in the Company's register of Directors together with notice executed by that person of his or her willingness to be appointed.

Each Director is obliged to retire at each annual general meeting and, if wishing to continue in office, may offer himself or herself for re-election at the annual general meeting.

The office of a Director shall be vacated ipso facto, in any of the following circumstances, if the Director:

- is restricted or disqualified from acting as a director of any company under the provisions of Part 14 of the Companies Act, 2014;
- becomes bankrupt or makes any arrangement or composition with his or her creditors generally;
- in the opinion of a majority of his co-Directors, becomes incapable by reason of mental disorder of discharging his or her duties as a Director;
- (not being a Director holding for a fixed term an executive office in his capacity as a Director) the Director resigns office by notice to the Company;
- holds any executive office or employment with the Company or any subsidiary, and that office or employment is terminated for any reason and his or her co-Directors resolve that that office as a director be vacated;
- is convicted of an indictable offence, unless the Directors otherwise determine;

- shall have been absent for more than six (6) consecutive months without permission of the Directors from meetings of the Directors held during that period and his or her alternate Director (if any) shall not have attended any such meeting in his or her place during such period, and the Directors pass a resolution that by reason of such absence he or she has vacated office; or
- is removed from office by notice in writing (whether in electronic form or otherwise) by all his or her co-Directors.

Notwithstanding anything in the Company's Constitution or in any agreement between the Company and a Director, the Company may, by ordinary resolution of which extended notice has been given in accordance with the Companies Act, 2014, remove any Director before the expiry of his or her period of office.

Directors

As at the date of this Report, there are seven (7) Directors on the Board. The Chief Executive Officer, Margaret Sweeney, is an executive director. Declan Moylan (the Chairman), Phillip Burns, Joan Garahy, Tom Kavanagh, Mark Kenney and Aidan O'Hogan are non-executive directors. A short biographical note on each Director appears on pages 56 to 59.

In accordance with paragraph B.7.1 of the UK Code, which applied to the Company for the financial year ended 31 December 2018, all Directors of the Company are subject to election by shareholders at the first annual general meeting after their appointment, and to re-election thereafter at intervals of no more than three years. However, the Company has adopted a requirement in its Articles of Association that all Directors will submit to re-election at each annual general meeting. In accordance with this, each of Phillip Burns, Joan Garahy, Tom Kavanagh, Mark Kenney, Declan Moylan, Aidan O'Hogan and Margaret Sweeney will retire and, being eligible, will offer themselves for re-election at the Company's 2019 annual general meeting to be held on 28 May 2019.

Other than Margaret Sweeney, the Directors do not have service contracts but do have letters of appointment which reflect their responsibilities and commitments. Margaret Sweeney entered into an employment agreement with the Company effective 1 November 2017. Each Director has the same general legal responsibilities to the Company as any other Director and the Board as a whole is collectively responsible for the overall success of the Company.

Upon expiry of his initial three-year term on 31 March 2017, the appointment of each of Declan Moylan and Aidan O'Hogan as a non-executive director of the Company was extended for an additional term of approximately three years commencing 1 April 2017 and expiring at the end of the first annual general meeting following 1 April 2020, unless terminated earlier in accordance with the terms of their letters of appointment (and subject to re-election at each of the Company's annual general meetings in accordance with the Company's Articles of Association).

Phillip Burns was appointed as a non-executive director effective 23 March 2016 for a term of approximately three years commencing on 23 March 2016 and expiring at the end of the first annual general meeting following 23 March 2019, unless terminated earlier in accordance with the terms of his letter of appointment (and subject to re-election at each of the Company's annual general meetings in accordance with the Company's Articles of Association). The appointment of Phillip Burns as a director of the Company has been extended for an additional term of approximately three years commencing at the conclusion of the 2019 annual general meeting on 28 May 2019 and expiring at the conclusion of the annual general meeting in 2022, unless terminated earlier in accordance with the terms of his letter of appointment (and subject to re-election at each of the Company's annual general meetings in accordance with the Company's articles of association).

Joan Garahy was appointed as a non-executive director effective 18 April 2017 for a term of approximately three years commencing on 18 April 2017 and expiring at the end of the first annual general meeting following 18 April 2020, unless terminated earlier in accordance with the terms of her letter of appointment (and subject to re-election at each of the Company's annual general meetings in accordance with the Company's Articles of Association).

Tom Kavanagh was appointed as a non-executive director effective 1 June 2018 for a term of approximately three years commencing on 1 June 2018 and expiring at the end of the first annual general meeting following 1 June 2021, unless terminated earlier in accordance with the terms of his letter of appointment (and subject to re-election at each of the Company's annual general meetings in accordance with the Company's Articles of Association).

Mark Kenney was appointed as a non-executive director of the Company (and the Investment Manager's nominee) effective 1 January 2019 for a term of approximately three years commencing on 1 January 2019 and expiring at the end of the first annual general meeting following 1 January 2022, unless terminated earlier in accordance with the terms of his letter of appointment (and subject to re-election at each of the Company's annual general meetings in accordance with the Company's Articles of Association).

The letter of appointment for each non-executive director provides that the Company may terminate that Director's appointment with immediate effect in certain circumstances, including where a Director commits a material breach of his or her obligations under their letter of appointment, and that no compensation would be payable to such Director in such an event. In addition to their general legal responsibilities, the Directors have responsibility for the Company's strategy, performance, financial and risk control, and personnel.

With effect from 1 November 2017, Margaret Sweeney has served on the Board of the Company as an executive director. The terms of Ms. Sweeney's contract of employment are summarised on pages 70 to 71 of this Report.

Copies of the terms and conditions of appointment for each Director are available for inspection by any person at the offices of McCann FitzGerald, Riverside One, Sir John Rogerson's Quay, Dublin 2, D02 X576 Ireland during normal business hours and at the Company's annual general meeting for 15 minutes prior to the meeting and during the meeting.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment, whether through resignation, purported redundancy or otherwise, that occurs as a result of a takeover of the Company, except under the terms of the LTIP.

Key Management Personnel

The Company is managed by the Chief Executive Officer of the Company and through the external Investment Manager under the supervision of the Board. The Company has engaged the services of the Investment Manager (which is authorised as an alternative investment fund manager by the Central Bank of Ireland under the AIFM Regulations) to act as the Company's alternative investment fund manager under the AIFM Regulations and has delegated certain portfolio, risk management, property management and other functions to the Investment Manager pursuant to the Investment Management Agreement.

In providing its services to the Company under the Investment Management Agreement, the Investment Manager also has access to the expertise and resources provided by CAPREIT LP, pursuant to the services agreement among the Company, CAPREIT LP and IRES Fund Management (as amended from time to time) (the **"Services Agreement"**), which covers the performance of property and asset management services by CAPREIT LP.

Conflicts of Interest

Directors

Section 231 of the Companies Act, 2014 requires each Director who is in any way, either directly or indirectly, interested in a contract or proposed contract with the Company to declare the nature of his or her interest at a meeting of the Directors. The Company keeps a register of all such declarations, which may be inspected by any Director, secretary, auditor or member of the Company at the offices of McCann FitzGerald, Riverside One, Sir John Rogerson's Quay, Dublin 2, D02 X576.

Subject to certain exceptions, the Articles of Association generally prohibit Directors from voting at Board meetings or meetings of committees of the Board on any resolution concerning a matter in which they have a direct or indirect interest which is material to, or a duty which conflicts or may conflict with the interests of, the Company. Directors may not be counted in the quorum in relation to resolutions on which they are not entitled to vote.

Pursuant to the Investment Management Agreement, the Investment Manager is entitled to nominate and require the Company to appoint one person as a non-executive director. Mark Kenney is the President and Chief Operating Officer of CAPREIT and is the Investment Manager's nominee non-executive director. CAPREIT is the parent company of CAPREIT LP and the Investment Manager is wholly owned and controlled by CAPREIT LP. The Articles of Association prohibit any Director who is a nominee of the Investment Manager and Directors who are officers or trustees of CAPREIT or any CAPREIT affiliate from participating in deliberations of the Board relating to the appointment and engagement by the Company of IRES Fund Management or in relation to the appointment and engagement by the Company of any CAPREIT affiliate. Mark Kenney accordingly will not be permitted to vote on any matter at the Board level relating to the appointment and engagement of IRES Fund Management or CAPREIT LP.

Furthermore, once Phillip Burns is appointed as an employee of CAPREIT or its affiliate, he will not be permitted to vote on any matter at the Board level relating to the appointment and engagement of IRES Fund Management or CAPREIT LP.

Conflicts of Interest

Investment Management Agreement and Services Agreement

Each of the Investment Management Agreement and the Services Agreement include non-compete provisions in favour of the Company, subject to certain exceptions.

Corporate Governance

The Company has complied, from 1 January 2018 to 31 December 2018, with the provisions set out in the UK Code and in the Irish Annex, which applied to the Company for the financial period ended 31 December 2018, except as disclosed on page 64 under Compliance with Relevant Codes.

The Corporate Governance Statement on pages 60 to 64 sets out the Company's application of the principles and compliance with the provisions of the UK Code and the Irish Annex and the Company's system of risk management and internal control.

Principal Risks and Uncertainties

A description of the principal risks and uncertainties facing the Group is set out on pages 44 to 50.

Substantial Shareholdings

The Company has been notified of the following interests of 3% or more of the voting rights over the share capital of the Company as at 31 December 2018 and 21 March 2019:

Holder	31 December 2018 Number of Shares	%	21 March 2019 Number of Shares	%
CAPREIT Limited Partnership	78,010,000	18.13	78,010,000	18.13
Aviva and subsidiaries	26,881,654	6.19	26,881,654	6.19
Lansdowne Partners International Limited	25,808,168	6.18	25,808,168	6.18
Setanta Asset Management Limited	22,502,189	7.92	22,502,189	7.92
FMR LLC	22,462,020	5.18	22,383,865	5.15
Morgan Stanley	21,729,076	5.21	21,729,076	5.21
Irish Life Investment Managers Limited	20,838,363	4.99	20,838,363	4.99
APG Asset Management N.V.	15,000,000	3.59	15,000,000	3.59
GLG Partners LP	13,207,986	3.17	13,207,986	3.17

Except as disclosed above, the Company has not been notified as at 21 March 2019 of any other interest of 3% or more of the voting rights in its share capital nor is it aware of any person who directly or indirectly, jointly or severally, exercises or could exercise control over the Company. The table above summarises the various notifications that the Company has received for shareholders with 3% or more of the voting rights. The percentage ownership is based on the number of shares outstanding at the time the Company was notified. As the total number of shares outstanding as at 31 December 2018 and 21 March 2019 was 434,153,946, the actual percentage ownership may differ from above.

Information required to be disclosed by LR 6.8.1, ISE Listing Rules

For the purposes of LR 6.8.1, the information required to be disclosed by LR 6.8.1 can be found in the following locations:

Section	Topic	Location
(1)	Interest capitalised	Financial statements, note 5
(2)	Publication of unaudited financial information in a circular or prospectus	Not applicable
(3)	Small related party transactions	Not applicable
(4)	Details of long-term incentive schemes	Report of the Remuneration Committee
(5)	Waiver of emoluments by a director	Not applicable
(6)	Waiver of future emoluments by a director	Not applicable
(7)	Non-pre-emptive issues of equity for cash	Not applicable
(8)	Item (7) in relation to major subsidiary undertakings	Not applicable
(9)	Parent participation in a placing by a listed subsidiary	Not applicable
(10)	Contracts of significance	Report of the Remuneration Committee
(11)	Provision of services by a controlling shareholder	Not applicable
(12)	Shareholder waivers of dividends	Not applicable
(13)	Shareholder waivers of future dividends	Not applicable
(14)	Agreement with controlling shareholders	Not applicable

All of the information cross-referenced above is hereby incorporated by reference into this Report of the Directors.

Principal Subsidiaries and Joint Ventures

Details of the Company's principal subsidiaries as at 31 December 2018, which include IRES Residential Properties Limited, which was acquired on 31 March 2015 in connection with the acquisition of the Rockbrook Portfolio and holds the Rockbrook Portfolio, and certain owner management companies in which the Company holds a majority of the voting rights, are set out in note 17 of the Group financial statements on pages 119 to 120. All of the Company's principal subsidiaries are incorporated in Ireland.

Financial Instruments

Financial instruments are set out in note 13 of the Group financial statements on pages 111 to 112.

Financial Risk Management

The financial risks include market risk, liquidity risk, credit risk and capital management risk. The financial risk management objectives and policies of the Group are set out in note 13 of the Group financial statements on pages 112 to 114.

Political Contributions

There were no political contributions which are required to be disclosed under the Electoral Act, 1997.

Accounting Records

The Directors are responsible for ensuring accounting records, as required by Sections 281 to 285 of the Companies Act, 2014, are kept by the Company. The Directors believe that they have complied with this requirement by providing adequate resources to maintain adequate accounting records throughout the Company, including the appointment of personnel with appropriate qualifications, experience and expertise. The accounting records of the Company are maintained at its registered office located at Unit 4B Lazer Lane, Grand Canal Square, Dublin 2.

Relevant Audit Information

The Directors believe that they have taken all steps necessary to make themselves aware of any relevant audit information and have established that the Company's statutory auditors are aware of that information. Insofar as they are aware, there is no relevant audit information of which the Company's statutory auditors are unaware.

Directors' Compliance Statement

The Directors, in accordance with Section 225(2) of the Companies Act, 2014, acknowledge that they are responsible for securing the Company's "Relevant Obligations" within the meaning of Section 225 of the Companies Act, 2014 (described below as "Relevant Obligations").

The Directors confirm that:

- A compliance policy statement has been drawn up setting out the Company's policy (that is in the opinion of the Directors appropriate to the Company) with regard to compliance by the Company with its Relevant Obligations;
- Appropriate arrangements and structures that, in the Directors' opinion, are designed to secure material compliance with the Company's Relevant Obligations, have been put in place; and
- A review has been conducted during the financial year of the arrangements and structures that have been put in place to secure the Company's compliance with its Relevant Obligations.

Regulation 21 of SI 255/2006 European Communities (Takeover Bids (Directive (2004/25/EC)) Regulations 2006

The Company has certain banking facilities which may require repayment and cancellation of the commitments thereunder in the event that a change of control occurs with respect to the Company, which may have the effect of also terminating the Company's International Swaps and Derivative Association (**"ISDA"**) arrangements. In addition, the LTIP contains change of control provisions which allow for the acceleration of the exercisability of share options or awards in the event that a change of control occurs with respect to the Company.

There are no other significant agreements to which the Company is a party that take effect, alter or terminate upon a change of control of the Company following a bid.

For the purposes of Regulation 21 of the European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006, the information on Directors on pages 56 to 59 and the disclosures on Directors' Remuneration on page 72 of this Report cover the information required and are deemed to be incorporated in the Report of the Directors.

Auditor

Based on the results of a competitive tender process, the Board approved the appointment of KPMG as statutory auditor, with effect from the financial year ended 31 December 2018. In accordance with Section 383 of the Companies Act, 2014, the Board formally recommended the new appointment to shareholders, along with a resolution to authorise the Directors to determine the auditor's remuneration, at the 2018 annual general meeting, each of which were approved by the shareholders.

KPMG will continue in office in accordance with the provisions of Section 383(2) of the Companies Act, 2014. A resolution authorising the Directors to set their remuneration will be proposed at the Company's annual general meeting to be held on 28 May 2019.

Audit Committee

The Board has established an Audit Committee in compliance with the Codes to assist with certain responsibilities relating to internal controls, risk management and reporting. Refer to the Report of the Audit Committee on page 66 for the procedures established by the Audit Committee to discharge these responsibilities.

General Meetings

The Company holds a general meeting each year as its annual general meeting in addition to any other meeting in that year. Not more than 15 months shall elapse between the date of one annual general meeting and that of the next. The Directors are responsible for the convening of general meetings. Information is distributed to shareholders at least 20 working days prior to the annual general meeting.

No business other than the appointment of a chairman shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business. Except as provided in relation to an adjourned meeting, three (3) persons entitled to vote upon the business to be transacted, each being a member or proxy for a member or a duly authorised representative of a corporate member, shall be a quorum.

Votes may be given either personally or by proxy or a duly authorised representative of a corporate member. Subject to rights or restrictions for the time being attached to any class or classes of shares, on a show of hands, every member present in person and every proxy or duly authorised representative of a corporate body shall have one vote. No individual shall have more than one vote, and on a poll, every member present in person or by proxy or a duly authorised representative of a corporate body shall have one vote for every share carrying voting rights of which the individual is the holder.

Resolutions are categorised as either ordinary or special resolutions. A bare majority of more than 50% of the votes cast by members voting on the relevant resolution is required for the passing of an ordinary resolution, whereas a qualified majority of more than 75% of the votes cast by members voting on the relevant resolution is required in order to pass a special resolution. Matters requiring a special resolution include, for example: altering the objects of the Company; altering the Articles of Association of the Company; and approving a change of the Company's name.

Constitution

The Company's Constitution sets out the objects and powers of the Company. The Articles of Association detail the rights attaching to shares, the method by which the Company's shares can be purchased or re-issued, the provisions which apply to the holding and voting at general meetings and the rules relating to Directors, including their appointment, retirement, re-election, duties and powers. The Articles of Association may be amended by special resolution of the shareholders, being a resolution proposed on not less than 21 days' notice as a special resolution and passed by more than 75% majority of those voting on the resolution.

Directors
21 March 2019

Declan Moylan
Chairman

Margaret Sweeney

Margaret Sweeney
Executive Director

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under such law the Directors have prepared the Group's and Company's financial statements in accordance with International Financial Reporting Standards (**"IFRS"**) as adopted by the European Union (**"EU"**) and in accordance with the provisions of the Companies Act, 2014.

The financial statements are required by law and IFRS to present a true and fair view of the financial position of the Company and the Group and the performance of the Group.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- comply with IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- include any additional information required by the Companies Act, 2014; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records which (i) are sufficient to correctly record and explain the transactions of the Company and the Group, and (ii) enable, at any time, the assets and liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy, and (iii) ensure that the financial statements are prepared in accordance with IFRS as adopted by the European Union and in accordance with the provisions of the Companies Act, 2014.

The Directors are also responsible for safeguarding the assets of the Company and the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In accordance with applicable law and the Euronext Dublin Listing Rules, the Directors are also required to prepare a Report of the Directors and reports relating to Directors' remuneration and corporate governance. The Directors are also required by the Transparency (Directive 2004/109/EC) Regulations 2007 (the **"Transparency Regulations"**) to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Ireland governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

The Directors have contracted with the Investment Manager to ensure that those requirements are met. The books and accounting records of the Group and the Company are maintained at the Company's registered office located at Unit 4B Lazer Lane, Grand Canal Square, Dublin 2. The Directors have delegated investment management and administration functions, including risk management, to the Investment Manager without abrogating their overall responsibility. The Directors have in place mechanisms for monitoring the exercise of such delegated functions, which are always subject to the supervision and direction of the Board. These delegations of functions and the appointment of regulated third party entities are set out in the Corporate Governance Statement on pages 60 to 64.

Each of the Directors, whose names and functions are listed on pages 56 to 59, confirms that, to the best of each Director's knowledge and belief:

As required by the Transparency Regulations:

- the financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities and financial position of the Group and the Company as at 31 December 2018 and of the results of the Group, taken as a whole, for the period 1 January 2018 to 31 December 2018;
- the Report of the Directors, the Chairman's Statement, the Chief Executive Officer's Statement and the Investment Manager's Statement include a fair review of the development and performance of the Group's business and the position of the Group as at 31 December 2018, together with a description of the principal risks and uncertainties that it faces; and

As required by the UK Corporate Governance Code:

- the Report and financial statements contained therein, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Signed on behalf of the Board
21 March 2019

Declan Moylan
Chairman

Margaret Sweeney
Executive Director

Financial Statements

Independent Auditor's Report to the Members of Irish Residential Properties REIT plc

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Irish Residential Properties REIT plc ('the Company') for the year ended 31 December 2018 set out on page 91 to 136, which comprise the Consolidated and Company Statement of Financial Position, the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated and Company Statement of Changes in Equity and the Consolidated and Company Statement of Cash Flows and related notes, including the summary of significant accounting policies set out in note 2 and 3. The financial reporting framework that has been applied in their preparation is Irish Law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the Parent Company financial statements, IFRS as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 2014.

In our opinion:

- the financial statements give a true and fair view of the assets, liabilities and financial position of the Consolidated and Company as at 31 December 2018 and of the Consolidated profit for the year then ended;
- the Consolidated financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 2014; and
- the Consolidated and Parent Company financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014 (as amended) (the "Companies Act") and, as regards the Consolidated financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities section of our report. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the directors on 17 July 2018. The period of total uninterrupted engagement is the year ended 31 December 2018. We have fulfilled our ethical responsibilities under, and we remained independent of the Group in accordance with, ethical requirements applicable in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA) as applied to public interest entities. No non-audit services prohibited by that standard were provided.

Other matter – first year audit considerations

Prior to the commencement of the current financial year and our formal appointment on 17 July 2018, we were required to become independent of the Company. During this time, we met with management at the Company to understand the business and to gather information which we needed to plan our first audit effectively. We met with the former auditors and attended the Audit Committee meetings throughout the 2018 audit cycle to understand the key audit matters as and when they arose. We also assessed the audit working papers of the former auditors to gain sufficient audit evidence about whether the opening balances contained misstatements that could materially affect the current year financial statements.

Key audit matters: our assessment of risks of material misstatement

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

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

Valuation of Investment Property: Consolidated €921 million, Company €799 million

Refer to page 96 to 97 (accounting policy) and page 104 to 106 (financial disclosures)

The key audit matter

The Groups' investment property portfolio (including development properties and land) comprises a portfolio of mainly residential property assets located in Dublin. The investment property portfolio is valued at €921 million at 31 December 2018 and represents 98% of the Group's total assets.

The valuation of the Group's investment property portfolio is inherently subjective, as it requires, amongst other factors, consideration of the specific characteristics of each property, the location and nature of each property, estimation of future rentals beyond the current lease terms and consideration of prevailing property market conditions.

In respect of properties under development, further factors include estimated costs to completion and timing of practical completion of each development.

The Directors engage external valuers to value the Group's investment property portfolio in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation – Professional Standards. The valuation experts used by the Group have considerable experience of the markets in which the Group operates. In determining the valuation of the Group's investment properties, the valuers take into account the above considerations and rely on the accuracy of the underlying lease and related information provided to the valuers by the Group.

We regard this area as a key audit matter due to the significance of the estimates and judgements involved in the valuation of the Group's investment property portfolio.

How the matter was addressed in our audit

In this area our audit procedures included, among others, the following:

- We evaluated the design and implementation of key controls over the valuation process.
- We performed testing over the accuracy and completeness of lease information provided by the Group to the external valuers for income generating properties.
- We inspected the valuation reports and confirmed that the valuation approach was in accordance with RICS standards and suitable for the purposes of the Group's financial statements.
- We assessed the valuers' qualifications and expertise and read their terms of engagement with the Group to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work. We found no evidence to suggest that the objectivity of the valuers in their performance of the valuations was compromised.
- We met with the external valuers to understand the valuation of the portfolio. These discussions included gaining an understanding of the external valuers process; the critical assumptions employed in estimating future rental incomes and future capital expenditure requirements for income generating properties; costs for completion of development properties; and the judgements in the selection of appropriate capitalisation rates for each property.
- We considered the capitalisation rate assumptions used by the valuers in performing their valuations and compared them to relevant market evidence, benchmarking against specific property sales, comparables and other external data.
- For properties under development, we confirmed that the construction and other costs used in the external valuations were consistent with the Group's records, including signed construction contracts. We also obtained support for the actual construction and other costs incurred to date.
- We agreed the value of all investment properties included in the financial statements to the valuation reports prepared by the external valuers.
- We assessed the adequacy of the disclosures in relation to the valuation of investment properties and found them to be appropriate.

On the basis of the work performed, we found the assumptions used in the valuations to be appropriate.

Transactions with related parties

Refer to page 117 to 120 (financial disclosures)

The key audit matter	How the matter was addressed in our audit
A number of related party relationships exist between the Company and CAPREIT LP and its affiliates. The asset management fee and related disclosures are considered significant transactions and disclosures in the financial statements. Due to the significance of related party transactions and the risk of non-disclosure, this warranted specific audit focus.	• We obtained an understanding of the process, procedures and controls governing the identification and management of related party transactions. • We read the Board Minutes to consider the completeness of related party transactions and relevant agreements with related parties. • We recalculated the fees charged from IRES Fund Manager, a wholly owned subsidiary of CAPREIT LP, to the Investment Management Agreement. • We considered the disclosures included in the financial statements for consistency with agreements and other related party transactions during the year. On the basis of the work performed, we found the disclosures in the financial statements to be appropriate.

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

The materiality for the Group financial statements as a whole was set at €6.2 million. This has been calculated with reference to a benchmark of net assets which we consider to be one of the principal considerations for members of the Group in assessing the financial performance of the Group. Materiality represents approximately 1% of this benchmark. In addition, we applied a lower specific materiality level of €1.4 million for testing profit and loss items excluding the net movement in fair value of investment properties (representing 5% of profit for the year excluding the net movement in fair value of investment properties). In our judgement, the application of this specific materiality is appropriate due to key performance indicators of the Group driven by profit and loss items.

Materiality for the parent company financial statements as a whole was set at €5.9 million. This was determined with reference to a benchmark of total assets.

We report to the Audit Committee all corrected and uncorrected misstatements we identified through our audit with a value in excess of €0.3 million for the Group and Company.

We subjected the Group's subsidiary to audit for group reporting purposes. This work was performed by the Group audit team.

We have nothing to report on going concern

We are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in note 2 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Parent Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- if the related statement under the Listing Rules set out on page 81 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

Other information

The directors are responsible for the preparation of the other information presented in the Annual Report together with the financial statements. The other information comprises all the information included in the Annual Report other than the financial statements and the Auditors Report.

The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

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

Based solely on our work on the other information we report that:

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

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated;
- the directors' confirmation within the viability statement on page 43 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Other corporate governance disclosures

We are required to address the following items and report to you in the following circumstances:

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

We have nothing to report in these respects.

In addition as required by the Companies Act 2014, we report, in relation to information given in the Corporate Governance Statement on page 60 to 64, that:

- based on the work undertaken for our audit, in our opinion, the description of the main features of internal control and risk management systems in relation to the financial reporting process and information relating to voting rights and other matters required by the European Communities (Takeover Bids (Directive 2004/EC)) Regulations 2006 and specified for our consideration, is consistent with the financial statements and has been prepared in accordance with the Companies Act;
- based on our knowledge and understanding of the Parent Company and its environment obtained in the course of our audit, we have not identified any material misstatements in that information; and
- the Corporate Governance Statement contains the information required by the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017.

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

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

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

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

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

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

The Listing Rules of the Euronext Dublin and the UK Listing Authority require us to review:

- the Directors' Statement on page 43 in relation to going concern and longer-term viability;
- the part of the Corporate Governance Statement on pages 60 to 64 relating to the Company's compliance with the provisions of the UK Corporate Governance Code and the Irish Corporate Governance Annex specified for our review; and
- certain elements of disclosures in the report to shareholders by the Board of Directors' remuneration committee.

Respective responsibilities and restrictions on use

Directors' responsibilities

As explained more fully in their statement set out on page 84, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

Sean O'Keefe

21 March 2019
for and on behalf of
KPMG
Chartered Accountants, Statutory Audit Firm
1 Stokes Place
St. Stephen's Green
Dublin 2

Consolidated Statement of Financial Position

As at 31 December	Note	2018 €'000	2017 €'000
Assets			
Non-Current Assets			
Investment properties	5	**921,316**	750,935
Other non-current assets	6	**6**	13
		921,322	750,948
Current Assets			
Other current assets	6	**12,633**	5,238
Cash and cash equivalents		**7,626**	6,792
		20,259	12,030
Total Assets		**941,581**	762,978
Liabilities			
Non-Current Liabilities			
Bank indebtedness	8	**307,494**	245,370
Derivative financial instruments	12	**913**	249
		308,407	245,619
Current Liabilities			
Accounts payable and accrued liabilities	7	**9,156**	9,379
Security deposits	7	**5,294**	3,996
		14,450	13,375
Total Liabilities		**322,857**	258,994
Shareholders' Equity			
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
Total Shareholders' Equity		**618,724**	503,984
Total Shareholders' Equity and Liabilities		**941,581**	762,978
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 these financial statements

Declan Moylan
Chairman

Margaret Sweeney
Executive Director

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December	Note	2018 €'000	2017 €'000
Operating Revenues			
Revenue from investment properties	11	**50,608**	44,693
Operating Expenses			
Property taxes		**(536)**	(557)
Property operating costs		**(8,914)**	(7,865)
		(9,450)	(8,422)
Net Rental Income ("NRI")		**41,158**	36,271
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)
Profit for the Year		**119,785**	65,079
Total Comprehensive Income for the Year Attributable to Shareholders		**119,785**	65,079
Basic Earnings per Share (cents)	20	**28.0**	15.6
Diluted Earnings per Share (cents)	20	**27.8**	15.4

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018	Note	Share Capital €'000	Share Premium €'000	Retained Earnings €'000	Other Reserve €'000	Total €'000
Shareholders' Equity at 1 January 2018		**42,027**	**354,978**	**104,844**	**2,135**	**503,984**
Total comprehensive income for the year						
Profit for the year		–	–	119,785	–	119,785
Total comprehensive income for the year		–	–	119,785	–	119,785
Transactions with owners, recognised directly in equity						
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)
Transactions with owners, recognised directly in equity		1,387	15,877	(21,162)	(1,147)	(5,045)
Shareholders' Equity at 31 December 2018		**43,414**	**370,855**	**203,467**	**988**	**618,724**

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

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Cash Flows

For the year ended 31 December	Note	2018 €'000	2017 €'000
Cash Flows from Operating Activities			
Operating Activities			
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)
Net Cash Generated from Operating Activities		**28,602**	29,306
Cash Flows from Investing Activities			
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)
Net Cash Used in Investing Activities		**(77,695)**	(25,436)
Cash Flows from Financing Activities			
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)
Net Cash Generated from/(Used in) Financing Activities		**49,927**	(2,955)
Changes in Cash and Cash Equivalents during the Year		**834**	915
Cash and Cash Equivalents, Beginning of the Year		**6,792**	5,877
Cash and Cash Equivalents, End of the Year		**7,626**	6,792

The accompanying notes form an integral part of these financial statements

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

These consolidated financial statements of the Group have been prepared in accordance with International Accounting 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 Company has availed of the exemption to present an individual statement of profit or loss and other comprehensive income provided in Section 304 of the Companies Act, 2014.

The consolidated financial statements of the Group are prepared on a going concern basis of accounting and 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 profit or loss in the consolidated statement of profit or loss and other comprehensive income. The consolidated financial statements of the Group have been presented in euros, which is the Company's functional currency.

The consolidated financial statements of the Group cover the 12-month period from 1 January 2018 to 31 December 2018.

The Group has not early adopted any forthcoming International Accounting Standards Board (**"IASB"**) standards. Note 2(r) sets out details of such upcoming standards.

Going concern

The Group meets its day-to-day working capital requirements through its cash and deposit balances. The Group's plans indicate that it should have adequate resources to continue operating for the foreseeable future. Accordingly, the Directors consider it appropriate that the Group adopts the going concern basis of accounting in the preparation of the consolidated financial statements.

b) Basis of consolidation

These consolidated financial statements incorporate the financial statements 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

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 statements 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 statements. 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 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 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 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 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 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 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.

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 recognised 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 is 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 1 January 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 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 I-RES' designation of such instruments. The standards require that all financial assets and financial liabilities be classified as fair value through profit or loss (**"FVTPL"**), amortised cost or fair value through other comprehensive income (**"FVOCI"**).

Classification of financial instruments

The following summarises the classification and measurement I-RES has elected to apply to each of its significant categories of financial instruments:

Type	Classification	Measurement
Financial assets		
Cash and cash equivalents	Loans and receivables	Amortised cost
Other receivables	Loans and receivables	Amortised cost
Financial liabilities		
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 sheet and are accounted for at amortised cost.

Other liabilities

Such financial liabilities are recorded at amortised 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 recognised initially and subsequently at fair value. Gains and losses arising from changes in fair value are presented within net income in the consolidated statement 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 portion expected to be realised or paid more than 12 months after the consolidated balance sheet date, which is classified as non-current. Derivatives are also categorised 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 accounts receivable for I-RES. Upon assessment, I-RES has determined that the ECL model did not have a material impact on I-RES accounts receivable.

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 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 or 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 remeasured at their fair value. The fair value change in the derivative is recognised in 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 for 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 in the consolidated statement of profit or loss and other comprehensive income.

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 recognised 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 a 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 a modified retrospective basis without restatement of prior period comparatives. See note 11 for disclosure.

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

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified 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 is 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 and 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 statements. 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 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

The following new or amended IFRS have been issued by the IASB and are expected to apply to the Group for future annual reporting periods after 31 December 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, this 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. I-RES has assessed that the impact of IFRS 16 on its financial statements is not material.

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 1 January 2019 and is not yet EU endorsed.

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

3 Critical Accounting Estimates, Assumptions and Judgements

The preparation of the consolidated financial statements 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 statements 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 statements, 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 notes 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	Total Fixed Price Contract (including land cost)
				€'000	€'000
Hansfield Wood Development (1)	25 May 2018	99	Dublin, Ireland	20,587	31,560
Hansfield Phase II Development (2)	16 November 2018	95	Dublin, Ireland	10,542	30,000
		194		31,129	61,560

(1) Expenditures during the period relate to development of 99 units at Hansfield Wood. As at 31 December 2018, I-RES 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 acquired a 1.3 acre development site at Hansfield Wood 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 (1)	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
Hansfield Wood (2)	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) The Hansfield Wood development site, located in Ongar, Dublin 15, was acquired 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 capitalised costs relate to Hansfield Wood properties that are currently undergoing development.

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

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.

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 the components noted above.

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	WA NRI (1)	Rate Type (2)	Max.	Min.	Weighted Average
	€'000	€'000				
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 (3)	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	WA NRI (1)	Rate Type (2)	Max.	Min.	Weighted Average
	€'000	€'000				
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 (3)	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 square foot.

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

Reconciliation of carrying amounts of investment properties

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

For the year ended 31 December	2017			
	Income Properties	**Properties Under Development**	**Development Land**	**Total**
	€'000	€'000	€'000	€'000
Balance at the beginning of the year	657,665	11,365	16,050	685,080
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
Balance at the end of the year	716,785	11,600	22,550	750,935

(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.

6 Other Assets

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

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

(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	2017
	€'000	€'000
Accounts Payable and Accrued Liabilities (1)		
Rent – early payments	**1,605**	1,861
Trade creditors	**2,369**	251
Accruals (2)	**5,080**	7,196
Value Added Tax (3)	**102**	71
Total	**9,156**	9,379

(1) The carrying value of all accounts payable and accrued liabilities approximates their fair value.
(2) Includes property related accruals, development accruals, 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	2017
	€'000	€'000
Security Deposits		
Security deposits	**5,294**	3,996
Total	**5,294**	3,996

8 Credit Facility

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

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).

LTIP

For the year ended 31 December	2018	2017
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 [3]	**(16,861,940)**	–
Forfeited [1]	**–**	(243,060)
Share Options outstanding as at 31 December	**10,875,000**	27,736,940

(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

Issuance Date	16 November 2017	26 March 2015	16 April 2014
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. The volatility of the 16 November 2017 issue is based over the past four years, of the 26 March 2015 issue is based over the prior five years, and of the 16 April 2014 issue 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:

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

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

For the year ended 31 December	2018	2017
Ordinary shares outstanding, beginning of year	**417,292,006**	417,292,006
New shares issued [(1)]	**16,861,940**	–
Ordinary shares outstanding, end of year	**434,153,946**	417,292,006

(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' 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, I-RES has evaluated the lease and non-lease components of its revenue and has determined the following allocation:

	2018 €'000	2017 €'000
Rental Income	**50,029**	44,216
Car park income	**579**	477
Total Revenue	**50,608**	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 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 of €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.

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 **Quoted prices in active markets for identical assets and liabilities** €'000	Level 2 **Significant other observable inputs** €'000	Level 3 **Significant unobservable inputs** [1] €'000	**Total** €'000
Recurring Measurements – Assets				
Investment properties	–	**–**	**921,316**	**921,316**
Derivative financial instruments – interest [2]	–	**913**	**–**	**913**
Total	–	**913**	**921,316**	**922,229**

As at 31 December 2017

	Level 1 Quoted prices in active markets for identical assets and liabilities	Level 2 Significant other observable inputs	Level 3 Significant unobservable inputs (1)	Total
	€'000	€'000	€'000	€'000
Recurring Measurements – Assets				
Investment properties	–	–	750,935	750,935
Derivative financial instruments – interest (2)	–	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 rates. 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.

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 use 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 2018
	Basis Points	€'000
EURIBOR rate debt [1]	+100	**(660)**
EURIBOR rate debt [2]	–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 unswapped portion of the Credit Facility.
(2) Based on the fixed margin of 2.0% plus the floor of zero on the unswapped portion of the Credit Facility.

As at 31 December 2017

	Change in interest rates	Increase (decrease) in net income 2017
	Basis Points	€'000
EURIBOR rate debt [1]	+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 unswapped 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 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.

As at 31 December 2018	6 months or less [1]	6 to 12 months [1]	1 to 2 years [1]	2 to 5 years [1]	More than 5 years [1]
	€'000	€'000	€'000	€'000	€'000
Loan drawn down	**–**	**–**	**–**	**309,159**	**–**
Bank indebtedness interest [2]	**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.

As at 31 December 2017	6 months or less [1]	6 to 12 months [1]	1 to 2 years [1]	2 to 5 years [1]	More than 5 years [1]
	€'000	€'000	€'000	€'000	€'000
Loan drawn down	–	–	–	247,850	–
Bank indebtedness interest [2]	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 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 ratings 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 a 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 its 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 reserves, 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.

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.

	2018	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 €'000	2017 €'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 €'000	2017 €'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
Security deposits	**1,298**	713
Changes in operating assets and liabilities	**(6,321)**	(1,017)

For the year ended 31 December	2018 €'000	2017 €'000
Issuance of shares	**17,264**	–
Net proceeds	**17,264**	–

		Changes from Financing Cash Flows			Non-cash Changes			
Liabilities	**2017**	**Credit Facility drawdown**	**Credit Facility repayment**	**Financing fees on credit facility**	**Amortisation of other financing costs**	**Loss on derivative financial instruments**	**Interest accrual relating to derivatives**	**2018**
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
Total liabilities from financing activities	**245,619**	**78,309**	**(17,000)**	**(20)**	**835**	**659**	**5**	**308,407**

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 (**"Investment Manager"**) 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 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 on a day-to-day basis. 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.

The Investment Manager has the ability to terminate the Investment Management Agreement by serving 12 months' notice of termination at any time after 1 November 2019. The Investment Manager may also terminate the Investment Management Agreement at any time if required to do so by any competent regulatory authority, if the Company commits a material breach of the agreement which remains unremedied for 30 days, or if the Company enters an event of insolvency.

The Company may terminate the Investment Management Agreement if the Investment Manager commits a material breach of the agreement which remains unremedied for 30 days, enters an event of insolvency, is no longer authorised to carry out the services under the Investment Management Agreement or if CAPREIT LP (or one of its affiliates) ceases to beneficially own 5% of the Company or ceases to control the Investment Manager. The Company may also terminate the Investment Management Agreement on or after 1 November 2020 if it determines that internalisation of the management of the Company, subject to relevant regulatory approval, is in the Company's best interests. In such circumstances, the Company is required to purchase the issued shares of the Investment Manager on a liability free/cash free basis for €1.

Certain transitional provisions apply under the Investment Management Agreement upon its termination in order to effect an orderly transition of the services to the Company. Other than fees or other monies accrued up to the point of termination, the Investment Manager is not entitled to compensation on termination of the agreement.

In providing its services to the Company under the Investment Management Agreement, the Investment Manager also has access to the expertise and resources provided by CAPREIT LP, pursuant to the Services Agreement among the Company, CAPREIT LP and the Investment Manager (as amended from time to time), which covers the performance of property and asset management services by CAPREIT LP. Among other standard termination provisions, the Services Agreement terminates on the termination of the Investment Management Agreement or where CAPREIT LP (or one of its affiliates) ceases to control the Investment Manager.

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.

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 €'000	**2020** €'000	**2021** €'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 an 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 base salary as at 31 December 2018 was €330,000 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% (31 December 2017: 15.7%) due to the share purchases.

Expenses

Total remuneration is 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 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:

Notes to Consolidated Financial Statements

Owners' Management Entity	Registered Official Address	Development Managed	Percentage of Voting Rights Held	Service Fees Incurred in the Period	Payable by I-RES	Prepaid by I-RES
			% of total [1]	€'000	€'000	€'000
Majority voting rights held						
Priorsgate Estate Owners' Management Company 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 [5]	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 [3]	Unit 4B Lazer Lane, Grand Canal Square, Dublin 2	Charlestown	82.5	491.3	0.0	0.0
Bakers Yard Owners' Management Company 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 [2]	(3.6)	0.0	0.0
TC West Estate Management Company 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 [4]	Charter House, 5 Pembroke Row, Dublin 2 D02 FW62	Tallaght Residential	87.2	802.7	0.0	0.0
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

Owners' Management Entity	Registered Official Address	Development Managed	Percentage of Voting Rights Held	Service Fees Incurred in the Period	Payable by I-RES	Prepaid by I-RES
			% of total (1)	€'000	€'000	€'000
Minority voting rights held						
BSQ Owners' Management Company Limited by Guarantee (6)	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 Landsdowne 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 €125,100 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 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 also entered into a development agreement to develop 95 apartments for a total consideration of €26.7 million (including VAT, but excluding other transaction 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.

For the year ended 31 December	2018	2017
Profit attributable to shareholders of I-RES (€'000)	**119,785**	65,079
Basic weighted average number of shares	**427,164,632**	417,292,006
Diluted weighted average number of shares (1) (2)	**431,236,978**	423,432,918
Basic Earnings per share (cents)	**28.0**	15.6
Diluted Earnings per share (cents)	**27.8**	15.4

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

21 Net Asset Value per Share

EPRA issued Best Practices Recommendations most recently in November 2016, 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.

EPRA NAV per Share

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

22 Directors' Remuneration, Employee Costs and Auditor Remuneration

For the year ended 31 December	2018 €'000	2017 €'000
Directors' remuneration		
Short-term employee benefits	**1,009**	998
Pension costs	**50**	8
Other benefits [(1)]	**84**	54
Share-based payments [(2)]	**207**	130
Total	**1,350**	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 €'000	2017 €'000
Employment costs [(1)]		
Salaries and bonus	**722**	686
Social insurance costs	**48**	20
Pension costs [(3)]	**50**	8
Share-based payments [(2)]	**207**	107
Total	**1,027**	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 CEO of I-RES and there were two 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 the board of trustees of CAPREIT.
(3) Pension costs were incurred for one Director (2017: nil) under a defined contribution scheme.

For the year ended 31 December	2018 €'000	2017 €'000
Auditor remuneration (including expenses) [(1)]		
Audit of the Group accounts	**117**	123
Other assurance services	**15**	21
Tax advisory services	**–**	122
Total	**132**	266

(1) I-RES has appointed KPMG as external auditor with effect for the financial year ending 31 December 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 1 February 2019, I-RES acquired 52 residential units and 61 car spaces located at The Coast, Baldoyle, 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, with 14 residential units available for immediate leasing by I-RES. Based on current annualised passing residential rents on 38 units and the leasing of the remaining 14 residential units, the asset is expected to generate a gross yield of circa 6.1%.

25 Approval of Consolidated Financial Statements

These audited consolidated annual financial statements were approved by the Board on 21 March 2019.

Company Statement of Financial Position

As at 31 December	Note	2018 €'000	2017 €'000
Assets			
Non-Current Assets			
Investment properties	III	**799,139**	642,745
Investment in subsidiary	IV	**873**	873
Other non-current assets	V	**6**	13
		800,018	643,631
Current Assets			
Loan advances to the subsidiary	IV	**93,603**	95,070
Other current assets	V	**12,412**	5,007
Cash and cash equivalents		**7,395**	4,416
		113,409	104,493
Total Assets		**913,427**	748,124
Liabilities			
Non-Current Liabilities			
Non-current portion of bank indebtedness	VII	**307,494**	245,370
Other liabilities		**913**	249
		308,407	245,619
Current Liabilities			
Accounts payable and accrued liabilities	VI	**8,739**	8,926
Security deposits		**4,767**	3,548
		13,506	12,474
Total Liabilities		**321,913**	258,093
Shareholders' Equity			
Share capital	IX	**43,414**	42,027
Share premium	IX	**370,855**	354,978
Other reserve		**988**	2,135
Retained earnings		**176,257**	90,891
Total Shareholders' Equity		**591,514**	490,031
Total Shareholders' Equity and Liabilities		**913,427**	748,124

Company profit after tax for the financial period ended 31 December 2018 was €106.5 million (31 December 2017: €57.3 million).

The accompanying notes form an integral part of these financial statements.

Declan Moylan
Chairman

Margaret Sweeney
Executive Director

Company Statement of Changes in Equity

For the year ended 31 December 2018	Note	Share Capital €'000	Share Premium €'000	Retained Earnings €'000	Other Reserve €'000	Total €'000
Shareholders' Equity at 1 January 2018		**42,027**	**354,978**	**90,891**	**2,135**	**490,031**
Total comprehensive income for the period						
Profit for the period		–	–	106,528	–	106,528
Total comprehensive income for the period		–	–	106,528	–	106,528
Transactions with owners, recognised directly in equity						
Long-term incentive plan	VIII	–	–	–	228	228
Share premium allocation		(298)	298	–	–	–
Share issuance	VIII	1,685	15,579	1,375	(1,375)	17,264
Dividends paid	XII	–	–	(22,537)	–	(22,537)
Transactions with owners, recognised directly in equity		1,387	15,877	(21,162)	(1,147)	(5,045)
Shareholders' Equity at 31 December 2018		**43,414**	**370,855**	**176,257**	**988**	**591,514**

For the year ended 31 December 2017	Note	Share Capital €'000	Share Premium €'000	Retained Earnings €'000	Other Reserve €'000	Total €'000
Shareholders' Equity at 1 January 2017		**42,027**	**354,978**	**64,459**	**1,945**	**463,409**
Total comprehensive income for the period						
Profit for the period		–	–	57,312	–	57,312
Total comprehensive income for the period		–	–	57,312	–	57,312
Transactions with owners, recognised directly in equity						
Long-term incentive plan	VIII	–	–	–	190	190
Share issue costs	VIII	–	–	–	–	–
Dividends paid	XII	–	–	(30,880)	–	(30,880)
Transactions with owners, recognised directly in equity		–	–	(30,880)	190	(30,690)
Shareholders' Equity at 31 December 2017		**42,027**	**354,978**	**90,891**	**2,135**	**490,031**

The accompanying notes form an integral part of these financial statements.

Company Statement of Cash Flows

For the year ended 31 December	Note	2018 €'000	2017 €'000
Cash Flows from Operating Activities			
Operating Activities			
Profit before taxes		**106,528**	57,312
Adjustments for non-cash items:			
Fair value adjustment – investment properties		**(79,587)**	(32,451)
Depreciation of property, plant and equipment		**8**	9
Amortisation of other financing costs		**835**	622
Share-based compensation expense		**228**	190
Loss on derivative financial instruments		**659**	241
Straight-line rent adjustment		**(28)**	27
Interest accrual relating to derivatives		**5**	–
		28,648	25,950
Financing costs and interest received	XIII	**1,489**	(131)
Changes in operating assets and liabilities	XIII	**(6,374)**	(383)
Net Cash Generated from Operating Activities		**23,763**	25,436
Cash Flows from Investing Activities			
Acquisition of investment properties		**(41,361)**	(7,339)
Development of investment properties		**(31,129)**	(13,095)
Investment property enhancement expenditure		**(4,071)**	(3,851)
Direct leasing cost		**(218)**	(36)
Interest received from subsidiary		**4,600**	1,092
Repayments from (advances to) subsidiary		**1,468**	(66)
Net Cash Used in Investing Activities		**(70,711)**	(23,295)
Cash Flows from Financing Activities			
Financing fees on Credit Facility		**(20)**	(1,224)
Interest paid on loan drawn down		**(6,089)**	(4,601)
Credit Facility drawdown		**78,309**	33,823
Credit Facility repayment		**(17,000)**	(73)
Net proceeds on issuance of shares	XIII	**17,264**	–
Dividends paid to shareholders		**(22,537)**	(30,880)
Net Cash (Used in)/Generated from Financing Activities		**49,927**	(2,955)
Changes in Cash and Cash Equivalents during the Period		**2,979**	(814)
Cash and Cash Equivalents, Beginning of the Period		**4,416**	5,230
Cash and Cash Equivalents, End of the Period		**7,395**	4,416

The accompanying notes form an integral part of these financial statements.

I Significant Accounting Policies

These Company financial statements have been prepared in accordance with IFRS as adopted by the EU, IFRIC interpretations and those parts of the Irish Companies Act, 2014, applicable to companies reporting under IFRS.

The financial statements of the Company are prepared on a going concern basis and under the historical cost convention, as modified by the revaluation of investment properties and derivatives at fair value through profit or loss and the measurement of share options at fair value at the date of grant. The financial statements of the Company have been presented in euros, which is the Company's functional currency.

For Company details, refer to note 23 of the consolidated financial statements.

The significant accounting policies of the Company are the same as those of the Group, which are set out in note 2 of the consolidated financial statements.

a) Investment in subsidiaries

Investment in subsidiaries is shown at cost less provision for any impairment or diminution in value.

b) Intercompany loan

An intercompany loan was recognised at amortised cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs and discounts directly related to the intercompany loan were recognised within interest expense on intercompany loan in the statement of profit or loss and other comprehensive income over the expected term of the intercompany loan.

II Critical Accounting Estimates, Assumptions and Judgements

For further information on critical accounting estimates, assumptions and judgements, refer to note 3 of the consolidated financial statements.

III Investment Properties

For further information on investment properties, refer to note 5 of the consolidated financial statements.

For the Company, an increase of 1% in the Equivalent Capitalisation Rate would have the impact of a €131 million reduction in fair value whilst a decrease of 1% in the Equivalent Capitalisation Rate would result in a fair value increase of €198 million.

A summary of the Equivalent Capitalisation Rates and ranges along with the fair value of the total portfolio of the Company as at 31 December 2018 and 2017 is presented below:

As at 31 December 2018

Type of Interest	Fair Value	WA NRI (1)	Rate Type (2)	Max.	Min.	Weighted Average
	€'000	€'000				
Investment properties	779,039	3,009	Equivalent Capitalisation Rate	6.27%	4.14%	5.01%
Properties under development	10,500	1,577	Equivalent Capitalisation Rate	4.65%	4.65%	4.65%
Development land (3)	9,600	n/a	Market Comparable (per sq. ft.)	€125.0	€35.6	€89.8
Total fair value	**799,139**					

(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.

Notes to Company Financial Statements

As at 31 December 2017

Type of Interest	Fair Value	WA NRI (1)	Rate Type (2)	Max.	Min.	Weighted Average
	€'000	€'000				
Investment properties	623,295	2,953	Equivalent Capitalisation Rate	6.48%	4.48%	5.30%
Properties under development	11,600	2,238	Equivalent Capitalisation Rate	6.38%	6.38%	6.38%
Development land (3)	7,850	n/a	Market Comparable (per sq. ft.)	€100.4	€23.0	€82.8
Total fair value	642,745					

(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.

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

For the year ended 31 December	2018			
	Income Properties	Properties Under Development	Development Land	Total
	€'000	€'000	€'000	€'000
Balance at the beginning of the year	**623,295**	**11,600**	**7,850**	**642,745**
Additions:				
Acquisitions	**41,361**	**–**	**–**	**41,361**
Development expenditures	**–**	**31,129**	**–**	**31,129**
Reclassification (1)	**32,849**	**(33,449)**	**600**	**–**
Property capital investments and intensification	**4,071**	**–**	**–**	**4,071**
Capitalised leasing costs (2)	**28**	**–**	**–**	**28**
Direct leasing costs (3)	**218**	**–**	**–**	**218**
Unrealised fair value gain adjustments	**77,217**	**1,220**	**1,150**	**79,587**
Balance at the end of the year	**779,039**	**10,500**	**9,600**	**799,139**

For the year ended 31 December	2017			
	Income Properties	Properties Under Development	Development Land	Total
	€'000	€'000	€'000	€'000
Balance at the beginning of the year	569,085	11,365	5,550	586,000
Additions:				
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	3,851	–	–	3,851
Capitalised leasing costs	(27)	–	–	(27)
Direct leasing costs	36	–	–	36
Unrealised fair value gain adjustments	32,111	611	(271)	32,451
Balance at the end of the year	623,295	11,600	7,850	642,745

(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.

The carrying value for the Company of €799.1 million for the investment properties at 31 December 2018 (€642.7 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.

IV Loan Advances to the Subsidiary

As at 31 December	2018 €'000	2017 €'000
Balance at the beginning of the period	**95,070**	91,364
Interest income	**4,600**	4,732
Interest received	**(4,600)**	(1,092)
Advances to (repayments from) subsidiary	**(1,468)**	66
Balance at the end of the period	**93,603**	95,070

On 31 March 2015, the Company acquired the entire issued share capital of IRES Residential Properties Limited for €873,000 and provided financing to IRES Residential Properties Limited to repay the loan on the Rockbrook Portfolio to CAPREIT LP. The total amount in aggregate receivable from its subsidiary amounted to €93.6 million as at 31 December 2018 (€95.1 million as at 31 December 2017), net of repayments. This receivable is interest bearing at 4.94% per annum fixed and repayable on demand. As this receivable is repayable on demand, its carrying value is considered to be materially in line with its fair value.

V Other Assets

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

	2018 €'000	2017 €'000
Other Current Assets		
Prepayments (1)	**8,885**	890
Other receivables (2)	**1,595**	2,954
Trade receivables	**1,932**	1,163
Total	**12,412**	5,007

(1) Includes specific costs relating to preparing planning applications of development lands.
(2) Relates to levies received in respect of services to be incurred.

VI Accounts Payable and Accrued Liabilities

As at 31 December	2018 €'000	2017 €'000
Accounts Payable and Accrued Liabilities		
Rent – early payments (1)	**1,443**	1,666
Trade creditors (1)	**2,311**	235
Accruals (1)	**4,891**	6,962
Value added tax	**93**	63
Total	**8,738**	8,926

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

Security deposits

As at 31 December	2018	2017
	€'000	€'000
Security Deposits		
Security deposits	**4,767**	3,548
Total	**4,767**	3,548

VII Credit Facility

For further information on the Credit Facility, refer to note 8 of the consolidated financial statements.

VIII Share-based Compensation

For further information on share-based compensation, refer to note 9 of the consolidated financial statements.

IX Shareholders' Equity

For further information on shareholders' equity, refer to note 10 of the consolidated financial statements.

X Financial Instruments, Investment Properties and Risk Management

a) Fair value of financial instruments and investment properties

For further information on the fair value of financial instruments and investment properties, refer to note 13(a) of the consolidated financial statements.

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

As at 31 December 2018

	Level 1 *Quoted prices in* **active markets for identical assets and liabilities**	Level 2 **Significant other observable inputs**	Level 3 **Significant unobservable inputs** [1]	**Total**
	€'000	€'000	€'000	€'000

As at 31 December 2017

	Level 1 **Quoted prices in active markets for identical assets and liabilities**	Level 2 **Significant other observable inputs**	Level 3 **Significant unobservable inputs** [1]	**Total**
	€'000	€'000	€'000	€'000
Recurring Measurements – Assets				
Investment properties	–	–	642,745	642,745
Derivative financial instruments – interest [2]	–	249	–	249
Total	–	249	642,745	642,994

(1) See note 5 of the consolidated financial statements 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 variable cash receipts. The variable cash receipts are based on an expectation of future interest rates (forward curves) derived from observable market interest rates. 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

For further information on risk management, refer to note 13(b) of the consolidated financial statements.

As at 31 December 2018	6 months or less [1]	6 to 12 months [1]	1 to 2 years [1]	2 to 5 years [1]	More than 5 years [1]
	€'000	€'000	€'000	€'000	€'000
Loan drawn down	–	–	–	**309,159**	–
Bank indebtedness interest [2]	**2,980**	**3,030**	**6,027**	**231**	–
Other liabilities	**8,739**	–	–	–	–
Derivative financial instruments	–	–	–	**913**	–
Security deposits	**4,767**	–	–	–	–
	16,486	**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.

As at 31 December 2017	6 months or less [1]	6 to 12 months [1]	1 to 2 years [1]	2 to 5 years [1]	More than 5 years [1]
	€'000	€'000	€'000	€'000	€'000
Bank indebtedness	–	–	–	247,850	–
Bank indebtedness interest [2]	2,412	2,372	4,784	7,392	–
Other liabilities	8,934	–	–	–	–
Derivative financial instruments	–	–	–	241	–
Security deposits	3,548	–	–	–	–
	14,894	2,372	4,784	225,483	–

(1) Based on carrying value at maturity dates.
(2) Based on current in-place interest rate for the remaining term to maturity.

XI Taxation

For further information on taxation, refer to note 14 of the consolidated financial statements.

XII Dividends

For further information on dividends, refer to note 15 of the consolidated financial statements.

XIII Supplemental Cash Flow Information

Breakdown of operating income items related to financing and investing activities

For the year ended 31 December	2018	2017
	€'000	€'000
Financing costs on credit facility [1]	**6,089**	4,601
Interest from loan advance to subsidiary	**(4,600)**	(4,732)
	1,489	(131)

Changes in operating assets and liabilities

For the year ended 31 December	2018 €'000	2017 €'000
Prepayments	**(7,994)**	(124)
Trade receivables	**(769)**	(143)
Other receivables	**1,359**	(2,954)
Deposits	**–**	1,589
Accounts payable and other liabilities	**(189)**	583
Security deposits	**1,219**	666
Changes in operating assets and liabilities	**(6,374)**	(383)

Issuance of Shares

For the year ended 31 December	2018 €'000	2017 €'000
Issuance of shares	**17,624**	–
Net proceeds	**17,264**	–

Changes in liabilities due to financing cash flows

		Changes from Financing Cash Flows			Non-cash changes			
Liabilities	2017	Credit Facility drawdown	Credit Facility repayment	Financing fees on credit facility	Amortisation of other financing costs	Loss on derivative financial instruments	Interest accrual relating to derivatives	2018
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
Total liabilities from financing activities	**245,619**	**78,309**	**(17,000)**	**(20)**	**835**	**659**	**5**	**308,407**

XIV Statement of Profit or Loss and Other Comprehensive Income

The Company has availed of the exemption to present an individual statement of profit or loss and other comprehensive income provided in the Companies Act, 2014.

XV Related Party Transactions

During 2015 the Company financed the purchase of the Rockbrook Portfolio on behalf of its subsidiary, IRES Residential Properties Limited. The total amount in aggregate receivable from its subsidiary amounted to €93.6 million as at 31 December 2018 (€95.1 million as at 31 December 2017), net of repayments. This receivable is interest bearing and repayable on demand.

For further information on related party transactions, refer to note 17 of the consolidated financial statements.

XVI Contingencies

For further information on contingent liabilities of the Company, refer to note 18 of the consolidated financial statements.

XVII Earnings per Share

For further information on earnings per share, refer to note 20 of the consolidated financial statements.

For the year ended 31 December	2018	2017
Profit attributable to shareholders of I-RES (€'000)	**106,528**	57,312
Basic weighted average number of shares	**427,164,632**	417,292,006
Diluted weighted average number of shares	**431,236,978**	423,432,918
Basic Earnings per share (cents)	**24.9**	13.7
Diluted Earnings per share (cents)	**24.7**	13.5

For further information on EPRA Earnings per share, refer to note 20 of the consolidated financial statements.

For the year ended 31 December	2018	2017
Earnings per IFRS statement of profit or loss and other comprehensive income (€'000)	**106,528**	57,312
Adjustments to calculate EPRA Earnings exclude:		
Changes in fair value on investment properties (€'000)	**(79,587)**	(32,451)
Changes in fair value of financial instruments	**659**	241
EPRA Earnings (€'000)	**27,600**	25,102
Basic weighted average number of shares	**427,164,632**	417,292,006
EPRA Earnings per share (cents)	**6.5**	6.0

XVIII Net Asset Value per Share

For further information on net asset value per share, refer to note 21 of the consolidated financial statements.

As at 31 December	2018	2017
Net assets (€'000)	**591,514**	490,031
Adjustments to calculate EPRA NAV exclude:		
Fair value of financial instruments	**913**	249
EPRA net assets (€'000)	**592,427**	490,280
Number of shares outstanding	**434,153,946**	417,292,006
Diluted number of shares outstanding	**436,272,927**	425,453,830
Basic Net Asset Value per share (cents)	**136.2**	117.4
EPRA Net Asset Value per share (cents)	**135.8**	115.2

XIX Directors' Remuneration, Employee Costs and Auditor Remuneration

For further information on Directors' remuneration and employee costs, refer to note 22 of the consolidated financial statements.

XX Subsequent Events

For further information on subsequent events, refer to note 24 of the consolidated financial statements.

Supplementary Information

EPRA Performance Measures and Disclosures
(Unaudited)

The following EPRA performance measures are presented to improve transparency, comparability and relevance across the European listed real estate industry.

EPRA Earnings per Share (EPS)

EPRA Earnings represents the earnings from the core operational activities (recurring items for the Company). 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 performance of the Group's operations.

EPRA Diluted Earnings per Share

EPRA Diluted EPS is 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. It has been presented as the Company believes this measure is indicative of the performance of the Group's 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. 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. The EPRA NAV is then divided by the diluted number of ordinary shares outstanding as at the end of the reporting period. 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.

EPRA Triple Net Asset Value per Share (EPRA NNNAV)

EPRA NNNAV's purpose is to report net asset value including fair value adjustments in respect of all material balance sheet items which are not reported at their fair value as part of the EPRA NAV. Generally EPRA NAV is adjusted for the fair value of financial instruments, fair value of debt, and fair value of deferred tax to calculate EPRA NNNAV.

EPRA Net Initial Yield (EPRA NIY)

EPRA NIY is calculated as the annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the gross market value of the property. It has been presented by the Company to improve comparability of yield measures across the European real estate market.

EPRA "topped-up" Net Initial Yield (EPRA "topped-up" NIY)

EPRA "topped-up" NIY is calculated by making an adjustment to the EPRA NIY in respect of the expiration of rent-free periods or other unexpired lease incentives such as discounted rent periods and step rents. It has been presented by the Company to improve comparability of yield measures across the European real estate market.

EPRA Vacancy Rate

EPRA Vacancy Rate is calculated as the percentage of estimated residential rental value of vacant space divided by the estimated residential rental value of the whole portfolio as at the reporting date. The estimated rental value excludes properties under development, commercial properties and development land. It has been presented by the Company to improve comparability of the vacancy measure across the European real estate market.

EPRA Performance Measure	Unit	31 December 2018	31 December 2017
EPRA Earnings	€'000	**27,780**	24,870
EPRA EPS	€ cents/share	**6.5**	6.0
Diluted EPRA EPS	€ cents/share	**6.4**	5.9
EPRA NAV	€'000	**619,637**	504,233
EPRA NAV per share	€ cents/share	**142.0**	118.5
EPRA NNNAV	€'000	**618,724**	503,984
EPRA NNNAV per share	€ cents/share	**141.8**	118.5
EPRA NIY	%	**4.6%**	5.0%
EPRA "topped up" NIY	%	**4.6%**	5.0%
EPRA vacancy rate	%	**0.3%**	0.3%

EPRA Earnings per Share

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

EPRA NAV per Share

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

EPRA Triple Net Asset Value (NNNAV)

As at 31 December	2018	2017
EPRA NAV	**619,637**	504,233
Adjustments to calculate EPRA net assets include:		
Fair value of financial instruments (€'000)	**(913)**	(249)
Fair value of debt	**–**	–
Deferred tax	**–**	–
EPRA triple net assets (€'000)	**618,724**	503,984
Diluted number of shares outstanding	**436,272,927**	425,453,830
EPRA NNNAV per share (cents)	**141.8**	118.5

EPRA Net Initial Yield (NIY)

As at 31 December	2017 €'000	2016 €'000
Annualised passing rent	**53,888**	47,060
Less: Operating expenses [1] (property outgoings)	**(11,263)**	(9,883)
Annualised net rent	**42,625**	37,177
Notional rent expiration of rent-free periods [2]	**48**	9
Topped-up net annualised rent	**42,673**	37,186
Completed investment properties	**882,416**	716,785
Add: Allowance for estimated purchaser's cost	**38,595**	33,461
Gross up completed portfolio valuation	**921,011**	750,246
EPRA Net Initial Yield	**4.6%**	5.0%
EPRA topped-up Net Initial Yield	**4.6%**	5.0%

1. Calculated based on the stabilised net rental income to operating revenue ratio of 79%
2. For the year ended 31 December 2018

EPRA Vacancy Rate[3]

As at 31 December	2018 €'000	2017 €'000
Estimated rental value of vacant space	**147**	131
Estimated rental value of the portfolio	**51,541**	44,720
EPRA Vacancy Rate	**0.3%**	0.3%

3. Based on the residential portfolio

EPRA Capital Expenditure Disclosure

EPRA recommends that capital expenditures, as stated on the financial statements, be split into four components based on the nature of the assets the expenditures were on to allow for enhanced comparability. Namely, the categories are acquisitions, development, like-for-like portfolio, and other items.

For the year ended 31 December	2018 €'000	2017 €'000
Acquisitions	**336**	3,199
Development	**31,129**	13,095
Like-for-like[4]	**4,651**	1,766
Total Capital Expenditure	**36,116**	18,060

4. For 2018, Like-for-like is defined as properties held as of 31 December 2017.

CAPREIT and IRES Fund Management Senior Management

Mark Kenney
President and Chief Operating Officer of CAPREIT

See Board of Directors' profiles for further detail.

Jodi Lieberman
Chief Human Resources Officer of CAPREIT

Jodi Lieberman joined CAPREIT in 2009 and has been instrumental in developing the human resources function at the company as well as at I-RES.

Trish MacPherson
Executive Vice President Operations – CAPREIT

Trish MacPherson joined CAPREIT in October 2005. Trish is the Executive Vice President Operations with responsibility for commercial operations, customer satisfaction, pricing programs and marketing initiatives, all with the goal of maximising revenues.

Scott Cryer
Chief Financial Officer of CAPREIT

Scott Cryer joined CAPREIT in September 2009 and was appointed as the Chief Financial Officer of the REIT in 2011. Mr. Cryer is also currently a director of IRES Fund Management Limited and supports I-RES in all financial and reporting decisions.

Jonathan Fleischer
Executive Vice President Operations – CAPREIT

Jonathan Fleischer joined CAPREIT in October 2015. Jonathan oversees the operations of I-RES.

Charles Coyle
Vice President Acquisitions

With over 19 years of property investment and development experience, Charles Coyle was appointed by IRES Fund Management as Vice President, Acquisitions in December 2014. He supports I-RES with all acquisition and development decisions.

Corinne Pruzanski
General Counsel and Corporate Secretary of CAPREIT

Corinne Pruzanski joined CAPREIT as General Counsel and Corporate Secretary in 2011 with responsibility for all legal and governance matters relating to CAPREIT, including CAPREIT's acquisitions, dispositions, financing arrangements and compliance with laws. Ms. Pruzanski is also company secretary to IRES Fund Management Limited.

Scott Bunker
Executive Vice President Innovation – CAPREIT

Scott Bunker joined CAPREIT in 2018 after working closely with the organisation's leadership team in a strategy consulting role for more than eight years.

Priyanka Taneja
Vice President Finance – CAPREIT

Priyanka Taneja joined CAPREIT in May 2008 and is currently Vice President of Finance, responsible for overseeing financial reporting, taxation, valuations, treasury and financings. She also assists with investor relations and provides support for the finance and financial reporting functions of I-RES.

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.

"Annualised Passing Rent"
Defined as the annualised cash rental income being received as at the stated date;

"Average Monthly Rent (AMR)"
Actual monthly residential rents, net of vacancies, as at the stated date, divided by the total number of apartments owned in the property;

"Basic Earnings per share (Basic EPS)"
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;

"Capitalisation Rate"
The rate of return on a property investment based on current and projected future revenue streams that such property investment will generate;

"Companies Act, 2014"
The Irish Companies Act, 2014;

"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;

"EPRA"
The European Public Real Estate Association;

"EPRA Diluted EPS"
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;

"EPRA EPS"
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;

"EPRA NAV"
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;

"EPRA NAV per share"
Calculated by dividing EPRA NAV by the diluted number of ordinary shares outstanding as at the end of the reporting period;

"Equivalent Capitalisation Rate"
The Equivalent Capitalisation Rate is calculated as the Stabilised NRI divided by the fair value of the investment property;

"Group Total Gearing"
Calculated by dividing the loan drawn down by the market value of the Group's investment properties;

"Gross Yield"
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;

"Irish REIT Regime"
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;

"Market Capitalisation"
Calculated as the closing share price multiplied by the number of shares outstanding;

"Net Asset Value" or "NAV"
Calculated as the value of the Group's or Company's assets less the value of its liabilities measured in accordance with IFRS;

"Net Asset Value per share"
Calculated by dividing NAV by the basic number of ordinary shares outstanding as at the end of the reporting period;

"Net Rental Income (NRI)"
Measured as property revenue less property operating expenses;

"Net Rental Income Margin"
Calculated as the NRI over the revenue from investment properties;

"Occupancy Rate"
Calculated as the total number of apartments occupied over the total number of apartments owned as at the reporting date;

"Property Income"
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;

"Property Profits"
As defined in section 705A of the Taxes Consolidation Act, 1997;

"Property Net Gains"
As defined in section 705A of the Taxes Consolidation Act, 1997;

"Property Net Losses"
As defined in section 705A of the Taxes Consolidation Act, 1997;

"Property Rental Business"
As defined in section 705A of the Taxes Consolidation Act, 1997;

"Sq. ft."
Square feet;

"Sq. m."
Square metres;

"Stabilised NRI"
Measured as property revenue less property operating expenses adjusted for market-based assumptions such as long-term vacancy rates, management fees, repairs and maintenance;

"Vacancy Costs"
Defined as the value of the rent on unoccupied residential apartments and commercial units for the specified period.

Forward-Looking Statements

I-RES Disclaimer

This report includes statements that are, or may 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 Report 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 Report should be construed as a profit forecast or a profit estimate.

The forward-looking statements referred to in this Report 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.

Shareholder Information

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Website
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Officers
Margaret Sweeney
Chief Executive Officer

Declan Moylan
Chairman

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Chief Executive Officer
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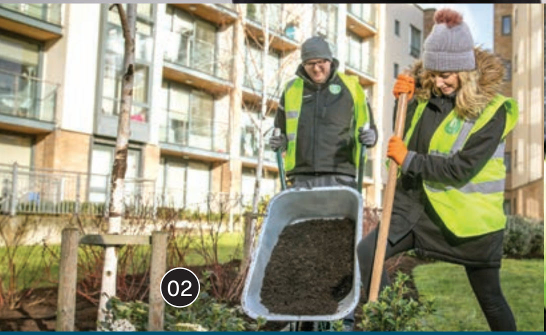
Stock Exchange Listing
Shares of I-RES are listed on Euronext Dublin under the trading symbol “IRES.”



Community Engagement

01
ARTISTIC IMPRESSION
Eddie Kennedy is a local artist and one of the directors of the charitable organisation Visual Artist Community (VAC), which is a neighbour of the Bakers Yard Property. We assisted VAC in improving working conditions for their artists and there are plans underway for further collaborations to benefit the local community.

02
COMMUNITY CLEANUP
In January, we carried out our first monthly Ground Blitz day at our Tyrone Court development. All employees met on-site to carry out tasks in common areas such as gardening, painting and general spring cleaning. The monthly event not only makes the grounds more inviting, it encourages tenants to interact with the team and each other.

03
GIVING BACK
Every summer, we participate in the Dragons at The Docks boat race, an annual event with more than 800 participants from the Irish property industry. Last year's event raised €233,000 for the Simon Community, an organisation that offers assistance for people experiencing homelessness.

04
FOR THE SPORT OF IT
As part of our commitment to community sports, we sponsor the Naomh Olaf GAA Club, which is a Gaelic Athletic Association club in the Dundrum/Sandyford area of Dublin.

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