

15 February 2017

**IRISH RESIDENTIAL PROPERTIES REIT PLC**  
**PRELIMINARY ANNOUNCEMENT OF RESULTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

Irish Residential Properties REIT plc (“**I-RES**” or the “**Company**”), an Irish investment company focused on residential rental accommodations, today issues its Group<sup>1</sup> annual results for the year ended 31 December 2016.

**GROUP HIGHLIGHTS**

For the year ended	31 December 2016	31 December 2015
<b>Operating Performance</b>		
Revenue from Investment Properties (€ millions)	38.8	24.7
Net Rental Income (€ millions)	30.6	20.0
Profit (€ millions)	47.0	30.8
Basic EPS (cents)	11.3	8.4
EPRA Earnings per share (cents) <sup>(4)</sup>	4.9	3.3
<b>Liquidity and Leverage</b>		
Net Asset Value (€ millions) <sup>(1)</sup>	469.6	435.0
Basic NAV per share (cents) <sup>(1)</sup>	112.5	104.3
EPRA NAV per share (cents) <sup>(1)(4)</sup>	112.5	104.3
Group Total Gearing <sup>(1)(5)</sup>	31.3%	8.8%
<b>Portfolio Performance</b>		
Overall Portfolio Occupancy Rate <sup>(1)(4)</sup>	98.7%	96.0%
Overall Portfolio Average Monthly Rent (€) <sup>(1)(3)(4)</sup>	1,427	1,372
Gross Yield at Fair Value <sup>(1)(2)(4)</sup>	6.6%	6.2%
<b>Other</b>		
Market Capitalisation (€ millions) <sup>(1)</sup>	488.2	487.9
Weighted Average Number of Shares - Basic <sup>(1)</sup>	417,135,631	367,520,548
Number of Apartments Acquired in the Year	763	410
Total Number of Apartments	2,378	1,614

(1) As at 31 December

(2) Excluding fair value of development land

(3) Average monthly rents for residential properties owned by the Company as of 31 December 2015 (“**Stabilised AMR**”) up 8.6% as compared to 31 December 2015, with strong occupancy of 98.8%

(4) For definitions, method of calculation, and other details, refer to pages 19 to 20 of the Business Performance Measures section under Business Review

(5) For definitions, method of calculation, and other details, refer to page 18 of the Liquidity and Financial Condition section under Business Review

<sup>1</sup> This report (“**Report**”) incorporates the financial information of the Company and its wholly-owned subsidiary, IRES Residential Properties Limited, together referred to as the “**Group**”, for the period from 1 January 2016 to 31 December 2016.

### **Active period with strategic high quality acquisitions and development**

- On 14 January 2016, the Company signed a new five year revolving and accordion credit facility ("**Credit Facility**") (amended on 4 May 2016) of up to €250 million with a reduced margin, which can be extended to €350 million subject to certain terms and conditions
- Further strengthening of the portfolio through the strategic acquisitions of 763 high quality apartments for a total cost of €172.4 million
- Commenced construction of 68 apartments (with an expected delivery of early July 2017) at Block B2B at Beacon South Quarter in Sandyford at an expected cost of approximately €22.7 million (including allocation of development land costs)
- I-RES was admitted to the FTSE EPRA/NAREIT Global Real Estate Index Series, EMEA region effective 21 March 2016
- As a response to a typical request, I-RES submitted a revised planning application to Dun Laoghaire Rathdown County Council for the construction of approximately 460 apartments and ground floor retail/commercial space above three floors of basement car parking at Rockbrook, Sandyford, Dublin 18. It is not anticipated that the expected yield on completion and lease up will change significantly because while there will be somewhat less income derived from a lower number of apartments the costs of the development will also decline as a result of building less apartments

### **Strong operating results supported by strong market fundamentals**

- Organic growth for operating revenues and net rental income ("**NRI**") compared to the same period last year was driven by strong occupancies and increased same property average monthly rents
- Maintaining a high residential occupancy of 98.7% at 31 December 2016 (96.0% as at 31 December 2015)
- Strong rental growth during the 2016 period arising from renewals and turnovers of residential apartments within its overall property portfolio. However, due to the rent legislation that came into effect on 4 December 2015 (**the "2015 Rent Legislation"**), which allowed for rental increases every two years (instead of annually), a substantial portion of the portfolio is only up for rental increases on renewals in 2017
- NRI margin of 78.8% for the year ended 31 December 2016, remained stable compared to 80.8% for the year ended 31 December 2015

### **Delivering shareholder value**

- Basic EPS and EPRA EPS were 11.3 and 4.9 cents respectively for the year ended 31 December 2016, up approximately 34.5% and 48.5% respectively compared to the year ended 31 December 2015
- Basic NAV per share and EPRA NAV per share of 112.5 cents up 7.9% from 31 December 2015, mainly due to the strong fair value increase.

### **Dividends**

- Intention to declare a dividend of 4.9 cents per share for the year ended 31 December 2016 following the filing of the relevant financial statements for the Company with the Companies Registration Office in Dublin, Ireland on or about 15 February 2017
- Paid dividends of 3.15 cents per share for the year ended 31 December 2015 in March 2016

### **Positive outlook**

- Strong market demand and continued significant shortage of housing helps support the rental market
- Continued support of experienced investment manager with track record of growth and value creation in residential sector
- Intensification opportunity to add approximately 600 apartments (including 68 apartments under construction at Block B2B at Beacon South Quarter) with significant infrastructure (eg. garages) in place, in particular approximately 460 apartments at Rockbrook, subject to required planning and other necessary approvals
- A pipeline of future acquisitions to consider, taking into account the 4% annual cap on rent increases imposed under the new rent legislation that came into effect on 24 December 2016 (**the "2016 Rent Legislation"**), and further development intensification opportunities
- Acquisition (including development) capacity of c. € 150 million at 31 December 2016 based on a target gearing of 45%

David Ehrlich, the Company's Chief Executive Officer commented:

*“The objective of I-RES since we commenced operations in Ireland has been to bring a new positive experience to tenants by providing a professionally managed product which meets the needs of the market while adequately rewarding our shareholders. I believe we have delivered on both of these objectives to-date. We are long term investors in the Irish market and we are playing an increasingly positive role in helping to address the serious shortage of rental accommodation in Ireland. Looking ahead, we will continue to look at accretive acquisitions, after considering the 4% annual cap on rent increases, and development intensification opportunities, which we believe will be highly accretive to grow our bottom line, and expect growing and secure dividends going forward.”*

## Chairman's Statement

It is now almost 3 years since I-RES commenced operations in the Irish market and progress to-date has been very positive. Our objective is twofold; to bring a highly professional landlord to Irish tenants and provide them with a new and positive experience, and to grow shareholder value in an attractive market. The Irish property market is highly challenged at the moment, largely resulting from a lack of supply, and I believe that I-RES can make a very positive contribution in addressing this challenge by looking at development opportunities. In a relatively short period, I-RES has become the largest non-governmental landlord in Ireland, and we have a clear plan to grow our presence through a combination of organic growth, selected acquisitions and further developments.

During the year ended 31 December 2016, the Group acquired a further 763 apartments for a total acquisition cost of €172.4 million (including VAT and other transaction costs), bringing its total number of apartments to 2,378 as at 31 December 2016. As at 31 December 2016, the Group had invested approximately €623 million (including VAT and other transaction costs) across 18 locations in the Dublin area, funded through a combination of equity and debt.

The significant growth in our property portfolio, combined with property management programs that are second to none in the industry, resulted in a strong performance for the 2016 year.

### Financial Results

The Group has generated strong rental growth and increased occupancy across the portfolio since 2015 year end, despite only c. 30% of the apartments that renewed and/or turned during the period had rental increases in 2016 as a result of the 2015 Rent Legislation. A substantial portion of the portfolio will be up for renewal in 2017 and should provide an opportunity for rental growth; subject to the 4% annual cap on rent increases imposed under the 2016 Rent Legislation.

Basic EPS and EPRA EPS increased to 11.3 cents and 4.9 cents, respectively, for the period ended 31 December 2016, compared to 8.4 cents and 3.3 cents for the year ended 31 December 2015. The increase was driven by organic NRI growth and accretive acquisitions, even though Group Total Gearing was 31.3% in 2016.

NAV and EPRA NAV was c. € 470 million, with Basic NAV per share and EPRA NAV per share of 112.5 cents as at 31 December 2016. Basic NAV per share and EPRA NAV per share increased by 7.9% for the period ended 31 December 2016, compared to 31 December 2015, driven by property valuation increases and NRI increases, partially offset by dividends paid in March 2016, which reduced Basic NAV and EPRA NAV per share by 3.1 cents.

### Dividends

The Company's Board of Directors ("**the Board**") intends to declare a dividend of approximately €20.4 million (dividends per share of 4.9 cents) for the year ended 31 December 2016 following the filing of the relevant financial statements for the Company with the Companies Registration Office in Dublin, Ireland on or about 15 February 2017.

### Investment Manager

The Board continues to be very satisfied with the significant contribution that IRES Fund Management Limited, the company's alternative investment fund manager ("**IRES Fund Management**" or the "**Investment Manager**"), and senior management (as well as the other staff) of CAPREIT Limited Partnership ("**CAPREIT LP**") have made. The Investment Manager is supported by CAPREIT LP (for details, please refer to the Investment Manager's Statement). As of 31 December 2016, there were 38 staff located in Dublin providing dedicated and experienced support to the I-RES portfolio. Through the services agreement among I-RES, CAPREIT LP and IRES Fund Management, CAPREIT LP provides significant support, including senior and other personnel, advanced SAP systems platform and other important contributions supporting the Investment Manager and therefore I-RES.

## **Outlook**

In summary, the Board is pleased with the Group's performance. We believe the positive economic outlook for Ireland and its property market will lead to increased demand in the residential rental sector, which should result in continued improvement in the performance of the Group on a sustainable and long-term basis. As mentioned earlier, we plan to continue to look at development opportunities to address the lack of supply in Dublin.

Colm Ó Nualláin  
Chairman

## Chief Executive Officer's Statement

2016 was a busy and productive period for I-RES due to acquisitions and the commencement of development. As the most active consolidator in the Irish residential rental sector, I-RES completed the accretive acquisition of 763 apartments and 18,401 sq. m. (198,067 sq. ft.) of ancillary commercial space during the year. This increased our apartment count by 47% to 2,378 extremely high-quality, well-located apartments, at a total investment of €623 million (including VAT and other acquisition costs), as at 31 December 2016. All the apartments are in the Dublin area near important transportation links and employment centres. Operationally, we generated solid increases in our key operational performance benchmarks, driven by strong organic growth resulting from high occupancies and solid increases in monthly rents on renewals and turnovers.

Below is a table summarising the Group's financial position as at 31 December 2016 and results for the year 2016:

	As at	As at
<b>Statement of Financial Position:</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Total Property Value (€ millions)	685.1	472.2
NAV and EPRA Net Asset Value (€ millions)	469.6	435.0
Basic NAV and EPRA NAV per Share (cents)	112.5	104.3
Number of Apartments	2,378	1,614
Bank Indebtedness (€ millions)	212.2	41.5
Group Total Gearing	31.3%	8.8%
<b>Statement of Profit or Loss and Other Comprehensive Income:</b>	<b>For the period ended</b>	<b>For the period ended</b>
	<b>31 December 2016</b>	<b>31 December 2015</b>
Revenue from Investment Properties (€ millions)	38.8	24.7
Net Rental Income (€ millions)	30.6	20.0
Profit (€ millions)	47.0	30.8
Basic EPS (cents)	11.3	8.4
Diluted EPS (cents)	11.2	8.3
EPRA EPS (cents)	4.9	3.3

We continue to maintain a strong financial position.

For year ended 31 December 2016, there was an 8.5% increase in values for the properties held as at 31 December 2015 (including the B2B development). The main drivers of the valuation movement in the period were primarily due to continued rental growth partially offset by slight yield expansion, as determined by the independent valuer.

Basic NAV per share and EPRA NAV per share were 112.5 cents as at 31 December 2016, up 7.9% from 104.3 cents as at 31 December 2015. The main drivers of the net value increase in the period were primarily due to continued property valuation and NRI increases, partially offset by the dividends paid in March 2016.

As at 31 December 2016, the Group Total Gearing was 31.3%, and the Company had an acquisition (including development) capacity of approximately €150 million based on a target gearing of 45%.

On 14 January 2016, the Company signed a new revolving and accordion credit facility (amended on 4 May 2016) of up to €250 million, which can be extended to €350 million subject to certain terms and conditions. This new facility replaced the €60 million revolving credit facility which was due to mature in August 2016. The new facility has a reduced margin and a five-year term.

For the year ended 31 December 2016, NRI for the total portfolio increased by 53.0% compared to the same period last year, and the NRI margin remained stable at 78.8% compared to NRI margin of approximately 80.8% for same period last year mainly due to higher vacancy in the first few months of 2016 (which was intended).

EPRA EPS increased approximately 48.5% compared to the same period last year resulting in strong accretive growth. EPRA EPS rose to 4.9 cents for the period ended 31 December 2016 compared to 3.3 cents for the same period last year.

Average monthly rent for the total portfolio increased to € 1,427 per apartment as at 31 December 2016, up from €1,372 at 31 December 2015. The average monthly rent increased due to rental growth on renewals and turnovers.

As a result of strong property management programs and strong market fundamentals in the Irish residential rental sector, we were able to bring the residential occupancy level to 98.7% as at 31 December 2016.

In December 2016 the Irish Government introduced a new cap on rent increases of 4% per annum for three years effective 24 December 2016. The objective of the new measure is to provide for more predictable rent increases in designated parts of the Irish market, including Dublin where I-RES is currently focused. The 4% per annum cap on rent increases is not intended to apply to new construction.

### **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 Board intends to declare a dividend of 4.9 cents per share for the year ended 31 December 2016 following the filing of the relevant financial statements for the Company with the Companies Registration Office in Dublin, Ireland on or about 15 February 2017. There is no intention to declare any further dividends with respect to the 2016 Property Income of its Property Rental Business. The Board has also decided that its intention is that starting in 2017, it will declare two dividends annually, to be paid in September and March of the following year.

### **Positive Outlook**

In less than 3 years, I-RES has become the largest non-governmental landlord in Ireland with 2,378 apartments and has brought professional management to the rental sector in Ireland. I-RES will continue to look at accretive acquisitions after considering the 4% annual cap on rent increases. I-RES also believes that opportunities will come from its development intensification opportunities, and continued severe supply and demand imbalance. As a result, we believe our prospects for continued bottom line growth are very positive (notwithstanding the new government imposed cap on rent increases). We continue to grow our bottom line and expect growing and secure dividends going forward, derived from professional management and the quality of the portfolio.

David Ehrlich  
Chief Executive Officer

## Investment Manager's Statement

Our goal is to build I-RES into the residential landlord of choice in Ireland through professional property management, a rigorous focus on property maintenance, building and maintaining good relations with tenants and responding quickly and efficiently to their needs, and attracting, retaining and training the best operating team in Dublin. We bring a dedicated professionalism to the Irish residential rental sector with proven property management programmes.

I-RES has the benefit of CAPREIT LP's team of senior executives (including myself). I-RES' fully-integrated management platform, between the Dublin office of the Investment Manager and CAPREIT LP head office resources, is driving solid increases in organic growth. Both IRES Fund Management and CAPREIT LP are subsidiaries of Canadian Apartment Properties Real Estate Investment Trust ("CAPREIT").

- CAPREIT is fully aligned with I-RES shareholders, with an indirect 15.7% (total invested €63.5 million) beneficial ownership interest
- Dedicated local team of 38 experienced staff in the Dublin office as of 31 December 2016, supported by the CAPREIT LP platform
- Experienced investment manager with a track record of growth and value creation in the residential sector
- Proven acquisition acumen in the residential sector
- Strong leadership team specialising in residential real estate
- Benefits from CAPREIT LP's infrastructure and resources available to I-RES, including management, due diligence, finance, training, risk management, marketing, legal and information technology
- On 1 November 2015, IRES Fund Management became the alternative investment fund manager for I-RES

We are pleased with our progress in growing I-RES' portfolio and enhancing its property operations. The strong fundamentals in the Irish residential rental accommodations market are compelling, and we believe there continues to be significant opportunities to further increase the size and scale of the Group's property portfolio and generate continued solid organic growth.

We are confident that through our attention to detail, we can continue to maintain high residential occupancy levels and achieve ongoing rental growth to generate strong cash flows over the long term. We have proven we can source and complete acquisitions, and we will continue to build on this success going forward.

Thomas Schwartz  
Director of IRES Fund Management

## Property Valuation and Overview

The following tables provide the Group's property portfolio valuation as at 31 December 2016 compared to last year.

	Property Location	Location	Year Built	Date Acquired	Commercial Space Owned (sq.m.) <sup>(1)</sup>	# of Apts. Owned <sup>(1)</sup>	Total # of Apts. <sup>(1)(3)</sup>	Purchase Price <sup>(5)(8)</sup>	Value as at 31 December 2015 <sup>(8)</sup>	Value as at 31 December 2016 <sup>(1)(8)</sup>
1	Kings Court	Smithfield	2006	10-Sep-13	566	83	83	12.5	17.2	19.9
2	Grande Central <sup>(2)</sup>	Sandyford	2007	10-Sep-13	-	65	195	11.4	19.3	20.9
3	Priorsgate	Tallaght	2007	10-Sep-13	2,538	103	199	9.0	17.5	19.2
4	Camac Crescent	Inchicore	2008	10-Sep-13	-	90	110	9.9	17.9	19.6
5	The Laurels	Tallaght	2007	27-Jun-14	190	19	19	2.1	2.8	3.2
6	The Marker	Docklands	2012	18-Jul-14	1,218	84	105	50.1	55.9	58.1
7	Beacon South Quarter <sup>(3)</sup>	Sandyford	2007 /2008	07-Oct-14	2,395	225 <sup>(3)</sup>	850	84.7	82.6	82.0
8	Charlestown	Finglas	2007	07-Oct-14	-	235	285	51.1	54.8	57.8
9	Bakers Yard	Portland Street	2007 /2008	07-Oct-14	792	85	132	17.3	19.6	21.0
10	Lansdowne Gate	Drimnagh	2005	07-Oct-14	-	224	280	60.4	60.3	64.1
11	Rockbrook Grande Central <sup>(2)(6)</sup>	Sandyford	2007	31-Mar-15	3,529	81	195	24.8	26.1	28.0
12	Rockbrook South Central <sup>(6)</sup>	Sandyford	2007	31-Mar-15	1,136	189	224	62.5	66.0	71.1
13	Tyrone Court	Inchicore	2014	05-Jun-15	-	92	128	19.5	20.0	23.5
14	Bessboro	Terenure	2008	11-Dec-15	-	40	40	12.2	12.2	12.4
<b>Total owned portfolio as at 31 December 2015<sup>(7)</sup></b>					<b>12,364</b>	<b>1,615</b>		<b>427.5</b>	<b>472.2</b>	<b>500.8</b>
15	Tallaght Cross West	Tallaght	2008	15-Jan-16	18,344	442	507	83.0	-	85.8
16	Forum	Sandyford	2007	17-Feb-16	-	8	127	2.3	-	2.3
17	City Square	Gloucester Street	2006	07-Apr-16	57	23	27	5.9	-	5.7
18	Elmpark	Merrion	2006	25-May-16	-	201	332	59.0	-	59.7
19	Coldcut Park	Clondalkin	2012	31-Aug-16	-	89	93	18.3	-	19.4
<b>Total owned portfolio as at 31 December 2016</b>					<b>30,765</b>	<b>2,378</b>		<b>596.0</b>		<b>673.7</b>
20	B2B Development <sup>(4)</sup>	Sandyford	N/A	N/A	-	N/A	N/A	-	-	11.4
<b>Total investment properties owned as at 31 December 2016</b>					<b>30,765</b>	<b>2,378</b>		<b>596.0</b>	<b>-</b>	<b>685.1</b>

(1) As at 31 December 2016.

(2) Total number of owned apartments at Grande Central as of 31 December 2016 is 146.

(3) Total number of apartments in the development.

(4) Commenced first phase development of 68 apartments in February 2016.

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

(6) Purchase price for Rockbrook properties allocated based on number of apartments and commercial space square metres.

(7) Total owned portfolio as at 31 December 2015 is 1,614. In 2016, community space was converted to one additional residential apartment at Priorsgate.

(8) In millions of Euros.

**Property Overview**

	<b>Property Location</b>	<b># of Apts. Owned<sup>(1)</sup></b>	<b>Annualised Passing Rent<sup>(4)(5)</sup></b>	<b>Average Monthly Rent Per Apt.<sup>(1) (2)(3)</sup></b>	<b>Occupancy<sup>(1) (2)</sup></b>	<b>Gross Yield</b>
1	Kings Court	83	1,433	€ 1,354	100.0%	7.2%
2	Grande Central	65	1,214	€ 1,557	98.5%	5.8%
3	Priorsgate	103	1,559	€ 1,120	100.0%	8.1%
4	Camac Crescent	90	1,402	€ 1,298	100.0%	7.2%
5	The Laurels	19	283	€ 1,197	100.0%	9.0%
6	The Marker	84	2,927	€ 2,554	94.0%	5.0%
7	Beacon South Quarter	225	5,329	€ 1,679	98.7%	6.8%
8	Charlestown	235	3,608	€ 1,279	99.1%	6.2%
9	Bakers Yard	85	1,481	€ 1,359	100.0%	7.5%
10	Lansdowne Gate	224	3,861	€ 1,437	98.7%	6.0%
11	Rockbrook Grande Central	81	1,723	€ 1,528	98.8%	6.2%
12	Rockbrook South Central	189	3,581	€ 1,563	99.5%	5.9%
13	Tyrone Court	92	1,566	€ 1,419	96.7%	6.7%
14	Bessboro	40	689	€ 1,436	100.0%	5.6%
<b>Total owned portfolio as at 31 December 2015</b>		<b>1,615</b>	<b>30,656</b>	<b>€ 1,490</b>	<b>98.8%</b>	<b>6.3%</b>
15	Tallaght Cross West	442	6,964	€ 1,194	98.4%	8.1%
16	Forum	8	151	€ 1,569	100.0%	6.5%
17	City Square	23	421	€ 1,527	100.0%	7.3%
18	Elmpark	201	3,519	€ 1,459	98.5%	5.9%
19	Coldcut Park	89	1,433	€ 1,342	97.8%	7.4%
<b>Total owned portfolio as at 31 December 2016</b>		<b>2,378</b>	<b>43,144</b>	<b>€ 1,427</b>	<b>98.7%</b>	<b>6.6%</b>

(1) As at 31 December 2016.

(2) Based on residential apartments.

(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) In thousands of Euros.

***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 and 566 sq. m. (6,093 sq. ft.) of commercial space, all of which is owned by the Company. 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 4 three-bedroom residential apartments.

***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-hectare site and consists of a purpose-built apartment block with 195 residential apartments, of which 65 are owned by the Company. The entire development is constructed over a common basement with a single car park space per residential apartment. The Company's 65 residential apartments consist of 10 one-bedroom, 34 two-bedroom and 21 three-bedroom residential apartments.

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

The Company acquired Priorsgate, located in Tallaght, Dublin 24, in September 2013. The development was constructed in 2007 and is a residential development on a 2.6-acre site located approximately 10 km southwest of Dublin City Centre. The development consists of 199 residential apartments dispersed over three blocks, of which 103 are owned by the Company. 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 site of 0.18 hectare (0.44 acre) known as Bruce House Site. The Company's 103 residential apartments, which are dispersed over the three blocks, consist of 49 one-bedroom, 48 two-bedroom, 5 three-bedroom and 1 four-bedroom residential apartments.

***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-hectare 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, of which 90 are owned by the Company. The entire development is constructed over a common basement with a single car park space per residential apartment. The Company's 90 residential apartments consist of 21 one-bedroom, 49 two-bedroom and 20 three-bedroom residential apartments.

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

The Company acquired the Laurels, located in Tallaght, Dublin 24, in June 2014. The development was constructed in 2007 and consists of 19 residential apartments, all of which are owned by the Company. The Company also owns 190 sq. m. (2,045 sq. ft.) of commercial space in the form of one large unit which could be split into two units. The Laurels consists of 4 one-bedroom, 13 two-bedroom and 2 three-bedroom residential apartments.

***The Marker Residences (84 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, of which 84 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 84 residential apartments are all two-bedroom residential apartments.

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

The Company acquired Beacon South Quarter, located in Sandyford, Dublin 18, in October 2014. The development was constructed in 2007/2008 and is a landmark mixed-use development on 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 850 luxury residential apartments, of which 225 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 three adjacent development sites and 6,847 sq. m. (73,701 sq. ft.) of commercial space. For the year ended 31 December 2016, 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, additional water ingress and fire remediation works have been identified and I-RES is working with Beacon South Quarter's owner management company to resolve the matters noted.

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

The Company acquired Charlestown in October 2014, a mixed-use development set on 40 acres in Finglas, Dublin 11. The development was constructed in 2007 and consists of 285 residential apartments, of which 235 are owned by the Company. The overall development comprises facilities for tenants including a shopping centre, a medical centre and a variety of leisure and restaurant operators. The property is located approximately 9.5 km from Dublin City Centre and 8 km from Dublin airport and is adjacent to the main M50 and M2 transportation corridors. The Company's 235 residential apartments consist of 36 one-bedroom, 164 two-bedroom and 35 three-bedroom residential apartments.

***Bakers Yard (85 residential apartments Portland Street North, Dublin 1)***

The Company acquired Bakers Yard in October 2014, an apartment development on 1.4 acres adjacent to Dublin City Centre in Dublin 1. 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, of which 85 are owned by the Company. 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 0.45-acre site with planning consent for a further 55 residential apartments and 3 ground-floor commercial units. The Company's 85 residential apartments consist of 13 one-bedroom, 60 two-bedroom and 12 three-bedroom residential apartments.

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

The Company acquired Lansdowne Gate in October 2014, a superior quality development on 5.5 acres in Drimnagh, Dublin 12. 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. The development consists of 280 residential apartments, of which 224 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.

***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 mixed-use commercial space of approximately 4,665 sq. m. (50,214 sq. ft.). The portfolio also includes a development site of approximately 1.13 hectares (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.

***Tyrone Court (92 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 128 apartments across four residential apartment blocks, of which 92 are owned by the Company. The Company also owns a three-storey detached crèche building extending to approximately 310 sq. m. (3,336 sq. ft.). The Company's 92 residential apartments consist of 4 three-bedroom duplex units, 3 three-bedroom, 62 two-bedroom and 23 one-bedroom apartments. The property is located in an established residential area, close to Drimnagh Station, which is a 15-minute commute to City Centre. Located nearby are St. James's Hospital, Inchicore College, the Central Criminal Court and Heuston Station, all of which provide a strong employment centre and tenant market.

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

The Company acquired Bessboro, located in Terenure, Dublin 6, in December 2015. The development was constructed in 2008 and consists of 40 residential apartments, all of which are owned by the Company. The Company's 40 residential apartments consist of 6 one-bedroom, 32 two-bedroom and 2 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. The scheme is also in close proximity to Bushy Park, golf and rugby clubs.

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

The Company acquired Tallaght Cross West, located in Tallaght, Dublin 24, in January 2016. See Acquisitions under the Business Review Section on page 14 for property details.

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

The Company acquired the Forum, located in Sandyford, Dublin 18, in February 2016. See Acquisitions under the Business Review Section on page 14 for property details.

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

The Company acquired City Square, located on Gloucester Street, Dublin 2, in April 2016. See Acquisitions under the Business Review Section on page 14 for property details.

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

The Company acquired Elmpark, located in Merrion, Dublin 4, in May 2016. See Acquisitions under the Business Review Section on page 14 for property details.

***Coldcut Park (89 residential apartments, Clondalkin, Dublin 18)***

The Company acquired Coldcut Park, located on Coldcut Road in Clondalkin, Dublin, in August 2016. See Acquisitions under the Business Review Section on page 14 for property details.

## Business Review

### HIGH QUALITY ACQUISITIONS

#### ***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, of which 442 residential apartments are owned by the Company. The Company also owns 18,344 sq. m. (197,460 sq. ft.) of commercial space and associated underground car parking and has recently undergone significant capital expenditures. The purchase price for the 442 residential apartments acquired was c. €83 million (including VAT, but excluding other transaction costs).

#### ***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, of which 8 residential apartments and 11 basement car parking spaces are owned by the Company. 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. The purchase price was c. €2.3 million (including VAT, but excluding other transaction costs).

#### ***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 property is located near Trinity College near the River Liffey and is located close to LUAS and DART lines. The purchase price was €5.9 million (including VAT, but excluding other transaction costs).

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

The Company acquired Elmpark, located in Merrion, Dublin 4, in May 2016. The development was constructed in 2006, and consists of 332 apartments, 201 of which are owned by the Company. Elmpark is located near Merrion, Blackrock, and Frascatti Shopping Centres, and is also adjacent to the Elm Park Golf and Sports Club, as well as St. Vincent's University Hospital. The total purchase price was €59 million (including VAT, but excluding other transaction costs).

#### ***Coldcut Park (89 residential apartments, Clondalkin, Dublin 18)***

The Company acquired Coldcut Park, located on Coldcut Road in Clondalkin, Dublin, in August 2016. The development was constructed in 2012, and consists of 93 apartments, 89 of which are owned by the Company. The property is located near Liffey Valley Shopping Centre, LUAS red line, and Cherry Orchard Railway Station. The purchase price was €18.3 million (including VAT, but excluding other transaction costs).

## **ACCRETIVE DEVELOPMENT**

I-RES commenced the first phase of its development programme in February 2016 with respect to its total of approximately 600 apartments available for development (subject to planning and any other approvals). I-RES has appointed a general contractor for the construction of 68 apartments at Block B2B, Beacon South Quarter, Sandyford, Dublin 18 on a fixed price basis, subject to satisfaction of certain standard conditions. By apartment type, the apartments comprise 4 1-bed, 55 2-bed and 9 3-bed apartments.

The B2B development is located in the highly successful and established residential and commercial environment of Sandyford Estate. This is one of Dublin's prime suburban locations situated approximately 10km south of Dublin City Centre. The location is served by the LUAS tram line providing direct access to Dublin City Centre within approximately 20 minutes. Sandyford is home to many high profile employers, including Microsoft, Vodafone, Merrill Lynch, Airtricity, Salesforce, Dun Bradstreet and Allied Irish Bank. The new apartments being constructed above existing commercial space owned by I-RES and there is already significant infrastructure in place, including a nearly completed three story underground car park.

Based on management's expectations of rents at the time of letting and the fixed price cost of completion, the apartments are expected to have a gross yield in the range of 8.5% - 9%. The development will be funded under the company's Credit Facility and cash on hand.

As of 31 December 2016, the Company is expected to spend an additional €9.7 million to complete the B2B development. The Company's B2B development at Beacon South Quarter is progressing to plan and is expected to be available for rent mid-2017.

## OPERATIONAL AND FINANCIAL RESULTS

### Net Rental Income and Profit for the Period

	(Unaudited) 31-Dec-16 €'000	(Audited) 31-Dec-15 €'000
Operating Revenues		
Revenue from investment properties <sup>1</sup>	38,754	24,721
Operating Expenses		
Property taxes	(581)	(364)
Property operating costs	(7,618)	(4,389)
	(8,199)	(4,753)
Net Rental Income ("NRI")	30,555	19,968
General and administrative expenses	(2,776)	(2,990)
Asset management fee	(2,713)	(1,938)
Share-based compensation expense	(417)	(979)
Net movement in fair value of investment properties	26,439	18,639
Depreciation of property, plant and equipment	(12)	(13)
Operating Profit	51,076	32,687
Financing costs on credit facility	(4,085)	(1,865)
Profit for the Period	46,991	30,822

(1) Net of vacancy expense of €2.2M in 2016 (€0.9M in 2015) and bad debt expense of €422,000 in 2016 (€265,000 in 2015)

### Operating Revenues

For the year ended 31 December 2016, total operating revenues increased by 53% compared to last year, due to the contributions from acquisitions, increased average monthly rents, and continuing high stable occupancy levels. As I-RES continues to enhance the profile of its tenant base and increase the level of service to tenants, it expects to realise further increases in operating revenues.

### Net Rental Income

I-RES remains focused on continuing to improve the NRI and NRI margin through a combination of accretive and value-enhancing acquisitions, successful sales and marketing strategies to improve revenues, and investments in capital programs to enhance the quality and value of its portfolio. The NRI margin has been presented as the Company believes this measure is indicative of the Company's operating performance. For the year ended 31 December 2016, NRI increased by 53% primarily due to acquisitions completed in the prior twelve months and organic rental growth. The NRI margin of 78.8% remained stable compared to 80.8% last year. The NRI margin was slightly lower compared to last year mainly due to higher vacancies, utilities, and repair and maintenance expenses.

### General and Administrative (G&A) Expenses

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

### Asset Management Fees Expenses

Pursuant to the investment management agreement between IRES Fund Management and I-RES, effective on 1 November 2015, as amended or may be amended from time to time, (the "Investment Management Agreement"), 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 as asset management fees to the Investment Manager. The Investment Management Agreement governs the provision of portfolio management, risk management and other related services to the Company by the Investment Manager. It has an initial term of five years, unless it is duly terminated pursuant to a provision of the Investment Management Agreement, and thereafter shall continue in force of consecutive five-year periods. Asset Management expenses increased for the year ended 31 December 2016 to €2.7 million from €1.9 million for last year mainly due to higher net asset value as compared to the year ended 31 December 2015.

**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 David Ehrlich, 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 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. 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 lowers over the vesting term. Therefore, the amortisation expense in 2016 is lower compared to last year.

**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.

**Financing costs on credit facility**

Financing costs which includes the amortisation of certain financing costs, interest and commitment costs, increased for the year ended 31 December 2016 to €4.1 million from €1.9 million for last year due to acquisition financings in 2016.

## PROPERTY CAPITAL INVESTMENTS

The Group capitalises all capital investments related to the improvement of its properties. For the year ended 31 December 2016, the Group made property capital investments of €4.9 million, compared to €4.3 million for the prior year. Property capital investments were higher compared to the prior year primarily due to investments in properties which were acquired in 2016 and higher building and in suite improvement.

## LIQUIDITY AND FINANCIAL CONDITION

### Liquidity and Capital Resources

The Company ensures there is adequate overall liquidity by maintaining sufficient available credit facility to fund maintenance and property capital investment commitments and distributions to shareholders and to provide for future growth in the business. The Company'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 its overall leverage ratios and interest and debt service coverage ratios are maintained at a sustainable level. In addition, I-RES focuses on maintaining capital adequacy by complying with its investment and debt restrictions and financial covenants in its credit facility agreement.

I-RES is in compliance with all its investment and debt restrictions and financial covenants contained in the Credit Facility and REIT Legislation.

### Group Total Gearing

At 31 December 2016, capital consists of equity and debt, with the Group Total Gearing of 31.3%, which is well below the Board's target of 45% and well below the 50% maximum allowed by the Irish REIT guidelines. As a result, the Group has significant capacity of c. € 150 million to acquire 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:

<b>As at 31 December</b>	<b>2016</b>
	<b>(€'000)</b>
Facility <sup>(1)</sup>	250,000
Less: Euro LIBOR Borrowings	214,100
Available Borrowing Capacity	35,900
Weighted Average Floating Interest Rate	1.7%

(1) Subject to certain terms and conditions the credit facility can be extended from €250 million to €350 million

## 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 apartments owned in the property. Through active property management strategies, the lease administration system and proactive capital investment programmes, I-RES strives to increase rents as market conditions will 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 apartments occupied over the total number of apartments 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 while enhancing the overall qualitative profile of its tenant base. 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 last year, and maintaining high occupancies, I-RES’s objective is to increase the gross yield for the total portfolio. It has been presented as the Company believes this measure is indicative of the rental income generating capacity of the total portfolio.

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

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 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. The EPRA NAV excludes the net marked-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 basic weighted average number of ordinary shares outstanding during 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.

### Average Monthly Rents and Occupancy

As at 31 December	Total Portfolio				Properties Owned Prior to 31 December 2015				Properties Acquired in 2016	
	2016		2015		2016		2015		AMR	Occ. %
	AMR	Occ. %	AMR	Occ. %	AMR	Occ. %	AMR	Occ. %		
Residential	1,427	98.7%	1,372	96.0%	1,490	98.8%	1,372	96.0%	1,295	98.4%

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 €1,490 per apartment as at 31 December 2016, up 8.6% from €1,372 at 31 December 2015, largely due to strong increases in monthly rental rates on renewals and turnovers during the year and higher occupancy rates. Stabilised AMR is used as a measure for sustainable year over year changes in revenues. Occupancy levels remained strong for the most part of the year, mirroring the strong market fundamentals in the Irish residential rental sector.

A substantial portion of the portfolio will be up for renewal in 2017 and should provide an opportunity for rental growth; subject to the 4% annual cap on rent increases imposed under the 2016 Rent Legislation.

#### Gross Yield at Fair Value

As at 31 December, (€ Thousands)	2016	2015
Annualised Passing Rent	43,144	28,181
Aggregate fair market value as at reporting date	657,665	456,180
Gross Yield	6.6%	6.2%

The portfolio Gross Yield at fair value was 6.6% as at 31 December 2016, compared to 6.2% as at 31 December 2015, excluding the fair value of development land and investment properties under development. The NRI margin was approximately 78.8% for the year 2016.

#### EPRA Earnings per Share

For the Year Ended	31 December 2016	31 December 2015
<b>Earnings per IFRS statement of profit or loss and other comprehensive income (€'000)</b>	<b>46,991</b>	30,822
Adjustments to calculate EPRA Earnings, exclude:		
Changes in fair value on investment properties (€'000)	(26,439)	(18,639)
<b>EPRA Earnings (€'000)</b>	<b>20,552</b>	12,183
Basic weighted average number of shares	417,135,631	367,520,548
<b>EPRA Earnings per share (cents)</b>	<b>4.9</b>	3.3

#### EPRA NAV per Share

As at	2016	2015
Net assets (€'000)	469,595	435,020
<b>EPRA net assets (€'000)</b>	<b>469,595</b>	435,020
Number of shares outstanding	417,292,006	417,000,000
Basic Net Asset Value per share (cents)	112.5	104.3
EPRA Net Asset Value per share (cents)	112.5	104.3

EPRA EPS for the period was 4.9 cents for the year ended 31 December 2016.

EPRA NAV was c. € 470 million, with EPRA NAV per share of 112.5 cents as at 31 December 2016. EPRA NAV per share increased by 7.9% for the year ended 31 December 2016, compared to 31 December 2015, driven by property valuation increases and rental profit in the period.

## Market Update

A chronic shortage of supply remains the dominant feature of the Irish residential property market and this has pushed national property prices close to 50% above the trough (March 2013) levels (65% above the trough in Dublin) and private residential rents to the highest on record. While the improving trend in completions activity remains intact output is still running at unsustainably low levels. On the demand side, Ireland's economic fundamentals – the country is estimated to have had the strongest GDP growth in the 19 member Eurozone for a third successive year in 2016 – and supportive demographics underpin a positive occupancy outlook for the rental sector.

Department of Housing data show that 3,402 units were completed across Dublin's four local authority areas in the first 10 months of 2016, 44% above the outturn for the same period of 2015. While this increase is welcome, it is important to note that a 2014 study by the Economic and Social Research Institute ("ESRI") estimated that new household formation in Dublin is running at c. 8,000 per annum, so annualising the January-October 2016 output indicates that current housing output is only enough to meet about half of the flow of new demand, while there is a growing tail of unmet need in Dublin.

Outside of new household formation, the other key drivers of demand remain supportive. Total employment in Ireland has grown by 10.6% since the Q3 2012 trough, while the unemployment rate is estimated to have fallen to 7.2% in December 2016, 800bps below the high reached in Q1 2012.

As labour market conditions have tightened, we have seen the return of modest wage inflation. Central Statistics Office ("CSO") data show that average weekly earnings increased by 1.2% y/y in Q3 2016. The pace of growth in hiring indicated by the employment components of both the Investec Manufacturing and Services Purchasing Managers' Indices ("PMI") strengthened in late 2016, which combined with the multi-year low in the unemployment rate points to a positive outlook for wage growth in the coming quarters at least.

Disposable incomes are also being lifted by fiscal policy. Last October the Irish government unveiled the country's third successive expansionary Budget, with tax cuts and public expenditure increases. The €0.3bn of net tax cuts introduced in the last Budget equate to a c. 0.3% boost to gross household disposable income.

Given the mismatch between supply and demand, it is unsurprising that prices have continued to increase. As measured by the official Residential Property Price Index ("RPPI"), the annual rate of price inflation, which had been in double-digits for much of 2014 and into 2015, slowed following the introduction of a new macro-prudential mortgage lending regime by the Central Bank of Ireland ("CBI") in February 2015. Following government commitments around the introduction of a new 'Help to Buy' scheme, backdated to July 2016, national property price inflation began to accelerate once more, quickening to its fastest annual pace of growth (+7.6% y/y) in 15 months in September 2016.

While the 'Help to Buy' scheme, which provides a tax rebate of up to €20,000 to first time buyers of new build residential properties, has bolstered demand, the CBI's recent decision to modestly relax its macro-prudential mortgage lending rules is providing a further impetus to the outlook for price inflation.

The narrative for the rental segment of the residential property market is somewhat similar to the above. Fuelled by a sizeable mismatch between supply and demand, rents have reached a new all-time high. CSO data show that private rents were +9.7% y/y in November 2016. Data compiled by the country's largest property website, Daft.ie, show that the average national rent was €1,102 a month in Q4 2016, 7.0% above the peak set during the Celtic Tiger period. In the capital, where I-RES' entire portfolio is located, average monthly rents stood at €1,628 in Q4 2016, 12.7% above their previous peak.

While noting where rents in the capital are relative to the previous peak, it is important to place these in the right context. Other Daft.ie data show that in October 2016 only 1,409 units were available to rent across Dublin, the third lowest figure in the history of the series (the two lowest readings were set in May 2016 and February 2016 respectively) and 61% below the monthly average since Daft.ie began collecting these data in January 2007.

In December 2016 the government introduced legislation to implement a limit of 4% annual rental increases in designated 'rent pressure zones', which includes all of Dublin (where I-RES' residential estate is located) for an initial three year period. The previous government had introduced a two year interval between rent reviews, but within designated rent pressure zones annual reviews are now permitted, save in the case of tenancies in existence since before 24 December 2016, where a 24 month gap applies before the first review can be conducted.

Ultimately, a marked increase in housing supply is needed to meet the needs of a growing population. However, lead indicators offer little encouragement that output will rise to meet even the flow of new demand, much less address the 'tail' of unmet housing needs, in the near term. CSO Planning Permissions data show that while the number of units for which planning was granted rose by 33% y/y in the first three quarters of 2016, the 12,046 units approved in the period compares unfavourably with both the long-term average of annual approvals (38,540 over the 1975-2015 period) and the range of estimates of new household formation (18,000 – "at least 40,000"). Indeed, we note that the government's current Action Plan for Housing and Homelessness only envisages annual completions reaching the 25,000 level commonly cited as the minimum needed to meet new household formation in 2020. Therefore, with demand set to exceed supply for quite some time to come, it would seem that, notwithstanding government interventions, the path of least resistance for both prices and rents continues to be to the upside.

## Opportunities for the year ahead

### *Acquisition and Development Opportunities*

I-RES will continue to look at accretive acquisitions, after considering the 4% annual cap on rent increases, and believes opportunities will come from its development intensification opportunities, and continued severe supply and demand imbalance.

The current planning guidelines and the high cost of new construction will make it difficult for the severe shortage of accommodation to be rectified for quite some time. The Company will benefit in two ways; firstly, it helps it to continue to build on its strong operational performance, and secondly, the Company has capacity at its existing properties to build approximately 600 apartments, subject to required planning and any other necessary approvals. With respect to the Rockbrook Portfolio, approximately 460 apartments can be built. As at 31 December 2016, the Company has an acquisition (including development) capacity of c. € 150 million based on a target gearing of 45%.

### *Industry-Leading Property Management*

Our fully-integrated management platform, between the Dublin office of IRES Fund Management and the CAPREIT LP head office resources, both of which are subsidiaries of CAPREIT, is driving solid increases in organic growth, and we are confident this progress will continue as our property portfolio increases in size. We believe we have one of the highest quality rental property portfolios in any market, characterised by quite new, well-built, well-maintained buildings, large, attractive and modern apartments, and property management programmes aimed at ensuring our tenants' needs are met quickly and efficiently. We are confident that the quality of the portfolio and market fundamentals will continue to drive strong occupancies and increasing monthly rents over the long term. Finally, as we further increase the size and scale of our property portfolio, we will benefit from economies of scale and operating synergies, enhancing our organic growth.

### *Strong Market Fundamentals*

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, together with a range of tax cuts introduced in last year's budget, should boost disposable incomes. Ireland's economy is expected to continue to grow in 2017, with consumer demand, trade and investment expected to increase going forward as consumer confidence remains solid. In addition, there is little new supply of residential housing coming to market, and 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.

To address the strong demand and supply imbalance of residential housing coming to market, in December 2016 the Irish Government introduced the new cap on rent increases of 4% per annum for three years effective 24 December 2016. The objective of the new measure is to provide for more predictable rent increases in designated parts of the Irish market, including Dublin where I-RES is currently focused. The 4% per annum cap on rent increases is not intended to apply to new construction.

While we appreciate that Brexit introduces a degree of uncertainty into the European Union, we do not believe it will adversely impact our business.

## Principal Risks and Uncertainties

The directors of the Company set out below the principal risks and uncertainties that the Group is exposed to and that may impact performance in the coming financial year. The Group proactively identifies, assesses, monitors and manages these risks with the assistance of Investment Manager and CAPREIT LP, as well as, the combined expertise of its Board. The principal risks and uncertainties, along with their strategic impact on the business and mitigating factors have been outlined. The Group has also provided its belief on how the risk has trended (remained the same, is increasing or is decreasing) from the year-ended 31 December 2015.

Risk	Strategic Impact	Mitigation Strategy	Risk Trending
<p><b>Economy</b></p> <p>A general weakening of the Irish or the wider European economy</p>	<p>Reduced economic activity could have a negative impact on asset values and net operating income, which could affect dividends available for shareholders.</p>	<p>The Group's focus is on Dublin, which has been more resilient economically than other areas of Ireland in the past.</p> <p>The Investment Manager monitors and reports to the Board quarterly on investment performance and economic factors that may affect such performance.</p>	<p>Same</p>  <p>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 OECD, Ireland is expected to continue to grow based on domestic demand, strong employment and wage growth. However, this growth is not expected to be as strong as in past years, given the potential impacts from Brexit, particularly on exports and investment.</p>
<p><b>Access to Capital</b></p> <p>The ability to access capital becomes limited or too costly</p>	<p>If the Group is unable to source debt financing at attractive rates or raise equity, it may not be able to meet its growth objectives through acquisitions and development or preserve its existing assets through maintenance or capital expenditures.</p> <p>The Group is exposed to risks associated with movements in interest rates on its floating rate bank debt.</p>	<p>The Investment Manager has developed relationships with lenders, both in Ireland and abroad, which provide ongoing financing possibilities.</p> <p>The quality of the Group's property portfolio and the conservative gearing target of 45% on total assets (particularly apartments) are attractive credit characteristics for potential lenders, which to date have facilitated the raising of debt financing. The Group currently has a revolving and accordion credit facility of up to €250 million, which can be extended to €350 million, subject to certain terms and conditions. This facility has been secured at a rate of EURIBOR +2% for a five-year term which commenced on 14 January 2016.</p>	<p>Same</p>  <p>Based on its financial position and performance, the Group does not believe that its ability to obtain debt financing or raise equity has changed from last year.</p> <p>The European Central Bank is not expected to increase interest rates over the short to medium term given the current and anticipated levels of certain economic indicators. As such, the Group does not anticipate a material increase in debt financing costs.</p>

Risk	Strategic Impact	Mitigation Strategy	Risk Trending
<p><b>Access to Capital (cont'd)</b></p>		<p>Regarding the floating rate on the bank indebtedness, the Investment Manager consults on a regular basis with the external lenders regarding interest rate exposure and whether hedging should be put in place, which is subject to Board approval.</p> <p>The Group invests in properties that generate a strong rate of return for its investors and, in turn, increases the attractiveness of its shares and dividends. As such, the Group believes it can raise additional capital if required but only after considering existing shareholders' interests. The Group successfully completed a secondary equity offering of €215 million in 2015, demonstrating its ability to raise equity.</p>	
<p><b>Growth Strategy</b></p> <p>Investment opportunities may become limited or overly competitive to obtain. Furthermore, investment decisions may be made without consideration of all risks and conditions.</p>	<p>The Group may not grow in number of apartments at the rate it has to date if there is a lack of development and acquisition opportunities.</p> <p>Investment assets may decrease in value or result in material unanticipated losses subsequent to acquisition as a result of significant risks and conditions, including structural deficiencies or non-compliances with building code, not being discovered at the time of purchase.</p>	<p>Through its growth and reputation, the Group has become a sought-after investor for new investment opportunities that arise in the market.</p> <p>The Investment Manager has deep market knowledge and has established strong industry relationships, which provide for new growth opportunities.</p> <p>While considering acquisitions, the Group has also been more focused on development opportunities with existing assets. Development opportunities continue to be a focus for the Group as they may be more abundant and economically attractive than acquiring completed assets.</p> <p>The Investment Manager and the Board carry out a robust due diligence process of every investment opportunity (acquisitions and development projects) to determine its fit with the Group's stated investment policy. With regard to acquisitions, this includes all standard investigations, which are</p>	<p><b>Increasing</b></p> <p>↑</p> <p>NAMA has less apartment blocks to sell, however, private equity firms may be beginning to recycle assets that were purchased with the intention for resale. In the short term, there may be fewer acquisitions as the market prices adjust to the 2016 Rent Legislation.</p> <p>With regards to investment decisions and the potential for overlooking associated risks and conditions, the Investment Manager's due diligence practices have not changed substantially since last year.</p> <p>The Group does not believe that the existing asset and geographical mix of its investments will have a material adverse impact on its performance</p>

Risk	Strategic Impact	Mitigation Strategy	Risk Trending
<p><b>Growth Strategy (cont'd)</b></p>		<p>reasonable and practical in the circumstances, to evaluate the building structure and condition, compliance with planning and building regulations, and the likely magnitude of capital expenditures over a 3 to 5 year period. This involves the appointment of third party experts to carry out technical and engineering studies and investigations.</p> <p>Post-acquisition, the Investment Manager, through prudent operating practices, monitors and manages any property related issues, including building deficiencies, as they arise.</p> <p>The Group also maintains sufficient liquidity and a capital expenditure budget to address any building deficiencies that have been noted.</p>	
	<p>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.</p>	<p>The existing portfolio provides some geographical diversity within Dublin and sectoral mix in terms of mid-tier and luxury buildings throughout Dublin, which has been more resilient economically than other areas of Ireland in the past.</p> <p>The Investment Manager monitors supply and demand for rental apartments in operating areas where the Group's investment properties are located.</p> <p>Additionally, the Investment Manager monitors and reports on certain key metrics around investment performance and risk, as well as compliance with the Group's stated investment policy, on a quarterly basis to the Board.</p>	
<p><b>Rent Legislation</b></p> <p>The government may introduce restrictive changes to the rent legislation</p>	<p>The government has recently passed legislation to limit annual rent increases to 4% in "rent pressure zones", which includes Dublin. This will have an impact on the Group's growth strategy. The residential rental markets are also a key topic of interest in Ireland, given the current state of the</p>	<p>The Group will continue to monitor and evaluate the legislation and its impact on the growth strategy and will adapt accordingly. The recently enacted legislation with respect to the 4% limitation on rent increases is not intended to apply to new developments.</p>	<p><b>Increasing</b></p> <p>↑</p> <p>The legislation was recently introduced and will impact the Group going forward in terms of ability to increase rents. As well, given the pressure and focus on rental and housing markets, coupled with a relatively new minority government, there is</p>

Risk	Strategic Impact	Mitigation Strategy	Risk Trending
<b>Rent Legislation (cont'd)</b>	housing market and the resulting magnitude of rent increases. As such, there is uncertainty as to additional changes to rental regulations.		uncertainty as to further changes to rental regulations.
<b>Political</b>  Material changes to the political environment in areas materially impacting the Group's operations	On 23 June 2016, the UK voted to leave the European Union (EU). It will take a number of years for the departure to actually happen. However, during this period negotiations surrounding immigration, foreign investment, economic and fiscal policy, and trade agreements will be in a state of fluctuation. This uncertainty will likely impact all UK and Irish businesses in some way or another. During this period of uncertainty, sentiment and speculation will impact the Irish economy.	The Investment Manager and the Board are considering the impact on the Group's business and will monitor, evaluate and adapt to developments as they arise.	<b>Increasing</b>  The potentially pervasive impact and uncertainty associated with this risk, coupled with the length of time it will take for the exit and for the resulting outcome to set in, gives rise to an increasing amount of risk at this time.
<b>Income and Cash Flow Performance</b>  A systematic decrease in occupancy rates, increase in tenant defaults, and/or material unanticipated expenditures	The Group's net operating income performance and cash flow is tied closely to occupancy levels, rent collections and cost containment. Any systematic material changes in these factors could result in significant decreases in cash available for dividends and/or net asset values.	The Group's strategy is to acquire residential property of high quality with a primary focus in Dublin, which is generally recognized as socio-economically resilient and well populated.  The Investment Manager monitors the Group's exposure to the letting market and deals with any lease expiries well in advance of their expiry dates to ensure that the income from the portfolio is managed proactively to minimise any interruptions and vacancies.  The Investment Manager closely monitors and reports to the Board on collectability of rental revenues to identify any systematic weaknesses in tenants' ability to meet their ongoing obligations to the Group.  The Investment Manager has highly qualified and experienced professional property managers to maintain the quality and service levels at each property and carefully monitor and take appropriate action when tenants default on rent.	<b>Same</b>   The Dublin residential market continues to experience a tightness in housing supply. This coupled with restrictions on obtaining mortgage financing have resulted in healthy occupancy rates being experienced by the Group.  The Group has not experienced a material or systematic increase in tenant defaults.  There has been no material deterioration in the Group's liquidity nor has the risk of material unanticipated expenditures changed over the last year.

Risk	Strategic Impact	Mitigation Strategy	Risk Trending
<b>Income and Cash Flow Performance (cont'd)</b>		The Investment Manager manages cash flow to ensure sufficient liquidity is available to cover unanticipated expenditures.	
<p><b>Investment Manager Performance</b></p> <p>Decline in the Investment Manager's performance or inability to carry out its duties under the management agreement</p>	<p>The Investment Manager, through its asset management and property management roles, plays an integral part in the day-to-day operations and management of the Group's assets. As a result, a significant decline in their performance would lead to a decline the Group's financial performance.</p>	<p>The Investment Manager is made up of a well-regarded multi-disciplinary team of qualified property and finance professionals experienced in the selection, financing and management of property investments.</p> <p>The Board oversees and evaluates the work of the Investment Manager and there is a close working relationship between the Board and the Investment Manager.</p> <p>Key personnel of the Investment Manager, CAPREIT LP and its affiliates are financially incentivised through the Group's long-term incentive plan.</p>	<p>Same</p>  <p>The Investment Manager has continued to have strong performance as evidenced by the returns being generated on the Group's assets and ability to manage day-to-day operational matters. The Group does not anticipate any material changes in their ability to continue this performance or their ability to comply with AIFMD regulations.</p>
	<p>The Investment Manager must comply with the Alternative Investment Fund Management Directive (AIFMD) of the European Union. Failure to do so, could result in it losing its ability to operate as an investment manager and provide services under the management agreement to the Group.</p> <p>Additionally, if the Group had to select another investment manager, there would be significant interruptions to day-to-day operations given the Group's reliance on the Investment Manager's personnel, processes, and IT systems.</p>	<p>The Investment Manager's compliance and financial professionals spend a considerable amount of time on ensuring compliance with the AIFMD requirements, as well as monitoring AIFMD regulations for any changes that impact compliance processes. The Investment Manager's policies and procedures are reviewed regularly to incorporate any changes in legislation or procedure.</p> <p>Additionally, the Investment Manager has engaged third party advisors and firms to assist it in complying with the AIFMD and carrying out associated functions, as well as, making required filings to the Central Bank.</p> <p>The board of the Investment Manager oversees compliance with the AIFMD to ensure that the Investment Manager meets its regulatory obligations at all times.</p>	

Risk	Strategic Impact	Mitigation Strategy	Risk Trending
<b>Investment Manager Performance (cont'd)</b>		Additionally, the Investment Manager regularly reports on its compliance activities relating to AIFMD to the Board of the company.	
<b>Tax Compliance Risk</b>  Failure to comply with REIT rules	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 IRES as an investment to current or potential shareholders.	<p>The Investment Manager proactively monitors and tests the Group's compliance with the rules and regulations affecting REIT status and regularly reviews and considers how the Group's planned operations may impact compliance with these rules. The results of these compliance reviews are reported to the Board on a quarterly basis, at a minimum.</p> <p>The Investment Manager also engages independent tax and legal advisors in relation to compliance monitoring, where needed. Its dedicated risk and compliance personnel are alert and vigilant regarding these matters and any impending or emerging changes in REIT rules and regulations.</p>	<p>Same</p>  <p>The Group does not believe the risk of non-compliance has changed from last year and the Investment Manager has not changed their monitoring and testing processes in a way that could result in a change in the risk.</p>
<b>Cybersecurity and Data Protection</b>  Failure to comply with data protection legislation or being subject to a cybersecurity attack	Failing to comply with data protection legislation and practices could lead to unauthorized access and fraudulent activities surrounding personal information, 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.	<p>The Investment Manager takes data privacy and protection seriously and remains adaptable to constant technical and legislative change. Employees receive annual awareness training on this subject.</p> <p>Access to personal data is controlled through physical security (e.g. locked offices and storage locations, alarm monitoring, cameras) and IT security mechanisms (e.g. password protection, firewalls, antivirus, and encryption).</p> <p>The Investment Manager maintains cybersecurity insurance coverage and continues to monitor and assess risks surrounding collection, usage, storage, protection, and retention/destruction practices for personal data.</p>	<p>Increasing</p>  <p>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. To keep up with this pace, data privacy and protection legislation has been evolving as well, particularly in the European Union and Ireland.</p>

Risk	Strategic Impact	Mitigation Strategy	Risk Trending
<p><b>Development</b></p> <p>Cost overruns or delays in completion of development projects</p>	<p>The Group may not meet its performance targets if there are material costs in excess of estimates to build a property or if there are unanticipated delays in completion of construction, pushing back occupancy of the property.</p>	<p>In sourcing/reviewing potential development opportunities, the Investment Manager undertakes a detailed investment and viability analysis, including when entering into fixed price contracts and provisioning of performance bonds, and ensuring that the development opportunity meets the investment strategy and building in timing and cost contingencies as needed. This analysis is presented to the Board for review and the Board approves all development opportunities prior to commencement.</p> <p>The Investment Manager closely monitors each project and the work of the contractor to ensure the project is on schedule and budget. The Investment Manager also engages a 3<sup>rd</sup> party independent quantity surveyor to ensure the contractor billings are reasonable and in line with work performed and budgets.</p>	<p>Same</p>  <p>The Group does not believe there have been any changes in its development activities that would result in a change in the risk.</p>

## Consolidated Statement of Financial Position (unaudited)

as at 31 December 2016

	Note	2016 €'000	2015 €'000
<b>Assets</b>			
<b>Non-Current Assets</b>			
Investment properties	5	685,080	472,230
Other non-current assets	6	22	322
		<b>685,102</b>	<b>472,552</b>
<b>Current Assets</b>			
Other current assets	6	3,479	9,494
Cash and cash equivalents		5,877	3,563
		<b>9,356</b>	<b>13,057</b>
<b>Total Assets</b>		<b>694,458</b>	<b>485,609</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Non-current portion of bank indebtedness	8	212,222	–
		<b>212,222</b>	<b>–</b>
<b>Current Liabilities</b>			
Current portion of bank indebtedness	8	–	41,529
Accounts payable and accrued liabilities	7	9,358	6,960
Security deposits	2(p)	3,283	2,100
		<b>12,641</b>	<b>50,589</b>
<b>Total Liabilities</b>		<b>224,863</b>	<b>50,589</b>
<b>Shareholders' Equity</b>			
Share capital	10	42,027	41,700
Share premium	10	354,978	354,978
Other reserve		1,945	1,553
Retained earnings		70,645	36,789
<b>Total Shareholders' Equity</b>		<b>469,595</b>	<b>435,020</b>
<b>Total Shareholders' Equity and Liabilities</b>		<b>694,458</b>	<b>485,609</b>

The accompanying notes form an integral part of this financial information.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income (unaudited)

for the year ended 31 December 2016

		<b>2016</b>	<b>2015</b>
	<b>Note</b>	<b>€'000</b>	<b>€'000</b>
<b>Operating Revenues</b>			
Revenue from investment properties		<b>38,754</b>	24,721
<b>Operating Expenses</b>			
Property taxes		<b>(581)</b>	(364)
Property operating costs		<b>(7,618)</b>	(4,389)
		<b>(8,199)</b>	(4,753)
<b>Net Rental Income ("NRI")</b>			
		<b>30,555</b>	19,968
General and administrative expenses		<b>(2,776)</b>	(2,990)
Asset management fee	15	<b>(2,713)</b>	(1,938)
Share-based compensation expense	9	<b>(417)</b>	(979)
Net movement in fair value of investment properties	5	<b>26,439</b>	18,639
Depreciation of property, plant and equipment		<b>(12)</b>	(13)
<b>Operating Profit</b>			
		<b>51,076</b>	32,687
Financing costs on credit facility	8	<b>(4,085)</b>	(1,865)
<b>Profit for the Period</b>			
		<b>46,991</b>	30,822
<b>Total Comprehensive Income for the Period</b>			
<b>Attributable to Shareholders</b>			
		<b>46,991</b>	30,822
<b>Basic Earnings per Share (cents)</b>			
	18	<b>11.3</b>	8.4
<b>Diluted Earnings per Share (cents)</b>			
	18	<b>11.2</b>	8.3

The accompanying notes form an integral part of this financial information.

## Consolidated Statement of Changes in Equity (unaudited)

for the year ended 31 December 2016

	Note	Share Capital €'000	Share Premium €'000	Retained Earnings €'000	Other Reserve €'000	Total €'000
<b>Shareholders' Equity at 1 January 2016</b>		<b>41,700</b>	<b>354,978</b>	<b>36,789</b>	<b>1,553</b>	<b>435,020</b>
<b>Total comprehensive income for the period</b>						
Profit for the period		–	–	46,991	–	46,991
<b>Total comprehensive income for the period</b>		<b>–</b>	<b>–</b>	<b>46,991</b>	<b>–</b>	<b>46,991</b>
<b>Transactions with owners, recognised directly in equity</b>						
Long-term incentive plan	9	327	–	–	417	744
Share issue costs	9	–	–	–	(25)	(25)
Dividends paid	13	–	–	(13,135)	–	(13,135)
<b>Transactions with owners, recognised directly in equity</b>		<b>327</b>	<b>–</b>	<b>(13,135)</b>	<b>392</b>	<b>(12,416)</b>
<b>Shareholders' Equity at 31 December 2016</b>		<b>42,027</b>	<b>354,978</b>	<b>70,645</b>	<b>1,945</b>	<b>469,595</b>
	Note	Share Capital €'000	Share Premium €'000	Retained Earnings €'000	Other Reserve €'000	Total €'000
<b>Shareholders' Equity at 1 January 2015</b>		<b>20,200</b>	<b>172,374</b>	<b>7,770</b>	<b>574</b>	<b>200,918</b>
<b>Total comprehensive income for the period</b>						
Profit for the period		–	–	30,822	–	30,822
<b>Total comprehensive income for the period</b>		<b>–</b>	<b>–</b>	<b>30,822</b>	<b>–</b>	<b>30,822</b>
<b>Transactions with owners, recognised directly in equity</b>						
Issue of ordinary shares for cash	10	21,500	193,500	–	–	215,000
Share issue costs	10	–	(10,896)	–	–	(10,896)
Long-term incentive plan	9	–	–	–	979	979
Dividends paid	13	–	–	(1,803)	–	(1,803)
<b>Transactions with owners, recognised directly in equity</b>		<b>21,500</b>	<b>182,604</b>	<b>(1,803)</b>	<b>979</b>	<b>203,280</b>
<b>Shareholders' Equity at 31 December 2015</b>		<b>41,700</b>	<b>354,978</b>	<b>36,789</b>	<b>1,553</b>	<b>435,020</b>

The accompanying notes form an integral part of this financial information.

## Consolidated Statement of Cash Flows (Unaudited)

for the year ended 31 December 2016

	Note	2016 €'000	2015 €'000
<b>Cash Flows from Operating Activities:</b>			
<b>Operating Activities</b>			
Profit before taxes		46,991	30,822
Adjustments for non-cash items:			
Fair value adjustment - investment properties		(26,439)	(18,639)
Depreciation of property, plant and equipment		12	13
Amortisation of other financing costs		643	370
Share-based compensation expense	9	417	979
Straight-line rent adjustment		(58)	(196)
		21,566	13,349
Financing costs on credit facility		3,442	1,495
Changes in operating assets and liabilities	14	9,596	(4,860)
<b>Net Cash Generated from Operating Activities</b>		<b>34,604</b>	<b>9,984</b>
<b>Cash Flows from Investing Activities</b>			
Acquisition of investment properties	5	(172,389)	(125,480)
Development of investment properties	5	(8,997)	–
Investment property enhancement expenditure	5	(4,913)	(4,326)
Direct leasing cost		(54)	(9)
<b>Net Cash Used in Investing Activities</b>		<b>(186,353)</b>	<b>(129,815)</b>
<b>Cash Flows from Financing Activities</b>			
Financing fees on Credit Facility	8	(2,233)	(87)
Interest paid on loan drawn down	14	(3,442)	(1,495)
Net Credit facility drawdown	8	214,100	–
Net prior Credit facility (repayment)	8	(41,529)	(83,471)
Net proceeds on issuance of shares	14	302	204,104
Dividends paid to shareholders	13	(13,135)	(1,803)
<b>Net Cash Generated from Financing Activities</b>		<b>154,063</b>	<b>117,248</b>
<b>Changes in Cash and Cash Equivalents during the Period</b>		<b>2,314</b>	<b>(2,583)</b>
<b>Cash and Cash Equivalents, Beginning of the Period</b>		<b>3,563</b>	<b>6,146</b>
<b>Cash and Cash Equivalents, End of the Period</b>		<b>5,877</b>	<b>3,563</b>

The accompanying notes form an integral part of this financial information.

## 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 the Irish Stock Exchange for trading on the regulated market for listed securities of the Irish Stock Exchange. 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 the Irish Stock Exchange under the symbol “IRES”.

I-RES was previously a wholly-owned subsidiary of CAPREIT Limited Partnership (“CAPREIT LP”), prior to the Initial Offering (as defined in note 10) on 16 April 2014. As a result of the Initial Offering, CAPREIT LP’s interest in I-RES was diluted to 20.8%. As of 26 March 2015, as a result of the Capital Raise (as defined in note 10), CAPREIT LP’s interest in I-RES was diluted to 15.7%.

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 consolidated financial information. The Group owns interests in residential rental accommodations located in and near major urban centres in Dublin, Ireland. Specifically, IRES Residential Properties Limited owns an interest in the “Rockbrook Portfolio”, which consists of 81 apartments at Rockbrook Grande Central and 189 apartments at Rockbrook South Central, mixed-use commercial space of approximately 4,665 sq. m., a development site of approximately 1.13 hectares and associated basement car parking.

## 2. Significant Accounting Policies

### a) Basis of preparation

This financial information has been derived from the information to be used to prepare the Group’s consolidated financial statements for the year ended 31 December 2016 in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”), IFRS Interpretations Committee (“IFRS IC”) interpretations and those parts of the Companies Act 2014 applicable to companies reporting under IFRS. The financial information for the years ended 31 December 2016 and 31 December 2015 has been prepared under the historical cost convention, as modified by the revaluation of investment properties at fair value through the consolidated statement of profit or loss and other comprehensive income. The financial information has been prepared in accordance with the accounting policies disclosed in the prior year annual report.

The financial information presented herein does not amount to statutory financial statements that are required by Section 347 of the Companies Act 2014 to be annexed to the annual return of the Group. The financial information does not include all the information and disclosures required in the annual financial statements. The purpose of this financial information is for the provision of information to shareholders. The statutory financial statement for the year ended 31 December 2015 have been attached to the annual return of the Company and filed with the Registrar of Companies. The audit report on those statutory financial statements was unqualified and did not contain any matters to which attention was drawn by way of emphasis. The statutory financial statement for the year ended 31 December 2016 will be annexed to the next annual return of the Group and filed with the Registrar of Companies.

This announcement has been prepared on the basis of the results and financial position that the directors expect will be reflected in the audited statutory accounts when these are completed. The preliminary announcement has been approved by the Board of Directors. It is expected that the annual report and statutory consolidated financial statement for the year ended 31 December 2016 will be approved by the Directors and reported on by the auditors in March 2017.

### b) Basis of consolidation

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

### *Subsidiaries*

Subsidiaries are entities controlled by I-RES. I-RES controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. The financial information of subsidiaries (except owner management companies) is included in the consolidated financial information from the date on which control commences until the date on which control ceases. I-RES does not consolidate owner management companies in which it holds majority voting rights. For further details, please refer to note 15.

### **c) *Investment properties and investment properties under development***

#### *Investment properties*

The Group considers its income properties to be investment properties under IAS 40, Investment Property ("**IAS 40**"), and has chosen the fair value model to account for its investment properties in the consolidated financial information. Under IFRS 13, Fair Value Measurement ("**IFRS 13**"), this IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Investment properties are treated as acquired at the point where 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 sold when the buyer has assumed the risks and rewards 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 consolidated statement of financial position date, with any gain or loss arising from a change in fair value recognised within operating income 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 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). 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 cash flows and Capitalisation Rates used in the independent valuation report, as well as property valuation movements when compared to 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 on both specific and general debt. Direct and indirect borrowing costs, as well as development 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 consolidated statement of financial position date with fair value adjustments recognised in the 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.

*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 to the future, an assessment of a property’s ability to remain as 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 of these factors the ultimate valuation the Group places on its investment properties is subject to some uncertainty which may not turn out to be accurate, particularly in times of macro-economic 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 (“**IFRS 3**”), is applicable only if it is considered that a business has been acquired. A business, under IFRS 3, is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors, or to lower costs or provide other economic benefits directly and proportionately to investors.

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

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

**e) Property, plant and equipment**

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

**f) Financial instruments**

**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.

## Classification of financial instruments

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

Type	Classification	Measurement
<b>Financial assets</b>		
Cash and cash equivalents	Cash and cash equivalents	Amortised cost
Other receivables	Loans and receivables	Amortised cost
<b>Financial liabilities</b>		
Bank indebtedness	Other liabilities	Amortised cost
Accounts payable and accrued liabilities	Other liabilities	Amortised cost
Security deposits	Other liabilities	Amortised cost

### 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 on the consolidated statement of profit or loss and other comprehensive income.

### Loans and receivables

Such receivables arise when the Group 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 statement of financial position date, which are classified as non-current assets. Loans and 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 derivatives or liabilities, which are designated to be accounted for at fair value.

### Transaction costs

Transaction costs related to financial assets classified as FVTPL are expensed as incurred. Transaction costs related to loans and receivables and other liabilities are included in the initial fair value of such financial assets and liabilities. Transaction costs relating to available-for-sale financial assets are included in the cost of the asset on initial recognition.

### 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. See note 5 for a detailed discussion of valuation methods used for financial instruments with prices quoted in an active market and instruments valued using observable data.

## g) Revenue recognition

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. Vacancy loss is netted against rental revenue.

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

Bank indebtedness is recognised at amortised cost. Interest and other financing costs includes interest on the credit facility, which is expensed at the effective interest rate, and transaction costs incurred in connection with the revolving credit facilities, which are capitalised and presented as netted against the bank indebtedness and amortised over the term of the facility to which they relate.

#### **i) 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 I-RES' Board.

#### **j) Statement of cash flows**

Cash and cash equivalents consist of cash on hand, balances with banks and investments in money market instruments with an original term to maturity of three months or less at acquisition. Investing and financing activities that do not require the use of cash or cash equivalents are excluded from the consolidated statement of cash flows and are disclosed separately in the notes to the consolidated financial information. Interest expense is classified as financing activities.

#### **k) 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, stamp duty, 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.

**l) 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 equity. Direct issue costs include the costs of preparing the prospectus, accounting, tax and legal expenses, underwriting fees, and valuation fees in respect of the shares.

**m) 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, September 2011 and the additional guidance issued in December 2014. EPRA NAV excludes the net marked-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.

**n) 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.” This implies 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 are measured using the Black-Scholes model.

**o) Property taxes**

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

**p) Security Deposits**

Security deposits are amounts received by 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 in which deductions may be made to their deposit. Once the inspections and repairs are calculated, the remaining security deposit is returned to the tenant.

**3. Critical Accounting Estimates, Assumptions and Judgements**

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

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

#### 4. Recent Investment Property Acquisitions

The Group has completed the following investment property acquisitions since 1 January 2016, which have contributed to the operating results effective from the acquisition date:

##### For the period 1 January 2016 to 31 December 2016

Property	Acquisition Date	Apartment Count	Region	Total Acquisition Costs €'000
Tallaght Cross West <sup>(1)</sup>	15 January 2016	442	Dublin, Ireland	84,883
Forum <sup>(2)</sup>	17 February 2016	8	Dublin, Ireland	2,349
City Square <sup>(3)</sup>	7 April 2016	23	Dublin, Ireland	6,063
Elmpark <sup>(1)</sup>	25 May 2016	201	Dublin, Ireland	60,321
Coldcut Park <sup>(3)</sup>	31 August 2016	89	Dublin, Ireland	18,773
		763		172,389

(1) The acquisition was funded from I-RES' Credit Facility (as defined in note 8).

(2) The acquisition was funded from the Group's cash reserves.

(3) The acquisition was funded from the Group's cash reserves and I-RES' Credit Facility.

##### For the period 1 January 2015 to 31 December 2015

Property	Acquisition Date	Apartment Count	Region	Total Acquisition Costs €'000
Rockbrook Portfolio <sup>(1)</sup>	31 March 2015	270	Dublin, Ireland	90,603
Tyrone Court <sup>(2)</sup>	5 June 2015	92	Dublin, Ireland	19,968
Beacon South Quarter <sup>(3)</sup>	6 November 2015	8	Dublin, Ireland	2,283
Bessboro <sup>(2)</sup>	11 December 2015	40	Dublin, Ireland	12,626
		410		125,480

(1) The acquisition was funded from equity proceeds raised on 26 March 2015. The acquisition of IRES Residential Properties Limited, which owns the Rockbrook Portfolio, is considered an asset acquisition. Upon acquisition, I-RES undertook the day-to-day property management services of IRES Residential Properties Limited. In addition, no processes or existing employees of IRES Residential Properties Limited were acquired as part of the transaction. The purchase price is based on the value of the investment property acquired.

(2) The acquisition was funded from I-RES' previous €60 million revolving credit facility (discussed in note 8).

(3) The acquisition was funded from the Group's cash reserves.

#### 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, considering the highest and best use of the asset, with any gain or loss arising from a change in fair value recognised in the consolidated statement of profit or loss and other comprehensive income for the period.

The fair values of all of the Group's investment properties are determined by a qualified 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 external auditors 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 external valuer to appoint for the external valuations 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 property, tenancy details, 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.

As at the reporting date, the Company has capitalised a total of €9 million of costs related to residential developments. Included in this amount is €39,000 of capitalised borrowing costs.

#### 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 I-RES' properties after adjusting for factors specific to the site, including its location, intended use, zoning, servicing and configuration.

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

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.

At 31 December 2016, 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 not all of the inputs and considerations made in determining the fair value of property investments can be derived from publicly available data, as the valuation methodology in respect of a property has also to rely on a number of unobservable inputs including technical reports, legal data, build costs, rental analysis, professional opinion on profile, lot size, layout and presentation of accommodation. In addition, the valuers also utilise proprietary databases maintained in respect of similar properties to the assets being valued.

The Group's independent valuation experts have noted that “following the EU referendum held on 23 June 2016 (Brexit) concerning the UK's membership of the EU, a decision was taken to exit. We are now in a period of uncertainty in relation to many factors that impact the property investment and letting markets. Investment properties by their nature take a period of time to transact. Given the short lapse of time since the referendum decision of 24 June 2016, there has not been a sufficient period of time for a number of comparable transactions to transact in the interim. Therefore as of the valuation date, no Brexit impact whether positive or negative has been included for the property values”.

#### **Sensitivity analysis**

Estimated Stabilised NRI and market-observed Capitalisation Rates are key inputs into 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 an impact of an €106.6 million reduction in fair value while a decrease of 1% in the Equivalent Capitalisation Rate would result in a fair value increase of €159.0 million.

The direct operating expenses recognised in the consolidated statement of profit or loss and other comprehensive income for the Group is €8.2 million for the period ended 31 December 2016, 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 for the Group is €nil for the period ended 31 December 2016, arising from investment property that did not generate rental income during the period. There were no investment properties for the reporting period that did not generate rental income.

An investment property is comprised of various components, including undeveloped land and vacant units for residential and commercial; no direct operating costs were specifically allocated to these 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 2016 is presented below:

#### **As at 31 December 2016**

<b>Type of Interest</b>	<b>Fair Value €'000</b>	<b>WA NRI<sup>1</sup> €'000</b>	<b>Rate Type<sup>3</sup></b>	<b>Max. %</b>	<b>Min. %</b>	<b>Weighted Average %</b>
Investment properties	657,665	2,837	Equivalent Capitalisation Rate	7.07	4.27	5.25
Properties Under Development	11,365					
Development land <sup>2</sup>	16,050					
<b>Total investment properties</b>	<b>685,080</b>					

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

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

#### **As at 31 December 2015**

<b>Type of Interest</b>	<b>Fair Value €'000</b>	<b>WA NRI<sup>1</sup> €'000</b>	<b>Rate Type<sup>3</sup></b>	<b>Max. %</b>	<b>Min. %</b>	<b>Weighted Average %</b>
Investment properties	456,180	2,315	Equivalent Capitalisation Rate	7.14	3.52	5.02
Development land <sup>2</sup>	16,050					
<b>Total investment properties</b>	<b>472,230</b>					

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

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

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

**Reconciliation of carrying amounts of investment properties**

For the Period	31 December 2016				31 December 2015
	Income Properties €'000	Properties		Total €'000	Investment Properties €'000
		Under Development €'000	Development Land €'000		
<b>Balance at the beginning of the period</b>	<b>456,180</b>	<b>–</b>	<b>16,050</b>	<b>472,230</b>	<b>323,580</b>
Acquisitions	172,389	–	–	172,389	125,480
Development expenditures	–	8,997	–	8,997	–
Reclassification <sup>(1)</sup>	–	1,300	(1,300)	–	–
Property capital investments	4,913	–	–	4,913	4,326
Capitalised leasing costs	58	–	–	58	196
Direct leasing costs	54	–	–	54	9
Unrealised fair value movements	24,071	1,068	1,300	26,439	18,639
<b>Balance at the end of the period</b>	<b>657,665</b>	<b>11,365</b>	<b>16,050</b>	<b>685,080</b>	<b>472,230</b>

(1) Reclassed from development land to properties under development.

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

The carrying value for the Group of €685.1 million for the investment properties at 31 December 2016 (and €472.2 million at 31 December 2015) was based on an external valuation carried out as at that date. The valuations were prepared in accordance with the RICS Valuation – Professional Standards, January 2014 (Red Book).

**6. Other Assets**

As at	31 December 2016 €'000	31 December 2015 €'000
<b>Other Non-Current Assets</b>		
Property, plant and equipment <sup>(1)</sup>		
At cost	58	58
Accumulated amortisation	(36)	(24)
Net property, plant and equipment	22	34
Deferred loan costs, net	–	288
<b>Total</b>	<b>22</b>	<b>322</b>
<b>Other Current Assets</b>		
Prepaid expenses	783	303
Other receivables	1,107	1,089
Deposits <sup>(2)</sup>	1,589	8,102
<b>Total</b>	<b>3,479</b>	<b>9,494</b>

(1) Consists of head office fixtures and fittings and information technology hardware.

(2) Includes predevelopment costs and acquisition related deposits.

## 7. Accounts Payable and Accrued Liabilities

As at	31 December 2016	31 December 2015
	€'000	€'000
<b>Accounts Payable and Accrued Liabilities</b>		
Rent - early payments <sup>(1)</sup>	819	1,010
Trade creditors <sup>(1)</sup>	165	414
Accruals <sup>(1)</sup>	8,244	5,254
Value added tax	130	282
<b>Total</b>	<b>9,358</b>	<b>6,960</b>

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

## 8. Credit Facility

As at	31 December 2016	31 December 2015
	€'000	€'000
<b>Bank Indebtedness</b>		
Loan drawn down	214,100	41,529
Deferred loan costs, net	(1,878)	-
<b>Total</b>	<b>212,222</b>	<b>41,529</b>

I-RES entered into a facility agreement on 14 January 2016 (as amended on 4 May 2016) with Barclays Bank Ireland PLC and Ulster Bank, which 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 from the date of the agreement. The Credit Facility is subject to compliance with various provisions of the facility agreement (including certain financial covenants and commitments and limitations on indebtedness). The interest on the Credit Facility is at an 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.

This Credit Facility replaces the €60 million revolving credit facility which was due to mature in August 2016.

## 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, Chief Executive Officer of I-RES. The 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 2016, the maximum number of additional options issuable under the LTIP is 14,885,070 (31 December 2015 – 14,885,070).

LTIP For the period	1 January 2016 to 31 December 2016	1 January 2015 to 31 December 2015
Share Options outstanding		
as at 1 January	26,814,930	17,080,000
Issued, cancelled or granted during the period:		
Issued or granted	-	11,900,000
Exercised or settled	(292,006)	-
Cancelled / forfeited <sup>(1)</sup>	(542,924)	(2,165,070)
<b>Share Options outstanding and exercisable in accordance with the LTIP as at 31 December 2016</b>	<b>25,980,000</b>	<b>26,814,930</b>

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

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.

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

The total number of LTIP shares outstanding and exercisable as at 31 December 2016 was 25,980,000 (31 December 2015 - 26,814,930).

The expected volatility is based on historic market volatility over the past five years and four years for the options issued on 26 March 2015 and 16 April 2014, respectively. The risk-free rate is based on Irish government bonds with a term consistent with the assumed option life.

The share based compensation expensed during the period ended 31 December 2016 was €417,000 (31 December 2015 - €979,000). The total number of LTIP options outstanding and exercisable as at 31 December 2016 was 25,980,000 (31 December 2015 - 26,814,930).

## 10. Shareholders' Equity

On 16 April 2014, I-RES raised gross proceeds of €200.0 million through the issue of an aggregate of 200,000,000 ordinary shares at an issue price of €1.00 per share, nominal value of €0.10 per share (the "Initial Offering").

On 26 March 2015, I-RES raised gross proceeds of €215.0 million through the issuance of an aggregate of 215,000,000 new ordinary shares at an issue price of €1.00 per share, nominal value of €0.10 per share (the "Capital Raise").

The funds raised from all the ordinary shares issued during the period were used for the purchase of investment properties and to pay down the previous bridge facility.

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 issued and outstanding ordinary shares is as follows:

<b>For the period</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>Ordinary shares outstanding, beginning of period</b>	<b>417,000,000</b>	<b>202,000,000</b>
New shares issued	292,006	215,000,000
<b>Ordinary shares outstanding, end of period</b>	<b>417,292,006</b>	<b>417,000,000</b>

### Shares issued on Capital Raise

	<b>Shares Issued</b>	<b>Price per Share</b>	<b>Gross Proceeds</b>	<b>Transaction Costs</b>	<b>Net Proceeds</b>
	Number	€	€'000	€'000	€'000
26 March 2015	215,000,000	1.00	215,000	10,896	204,104
<b>Total</b>	<b>215,000,000</b>		<b>215,000</b>	<b>10,896</b>	<b>204,104</b>

## 11. 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 the fair value on a recurring basis based on information available as at 31 December 2016, aggregated by the level in the fair value hierarchy within which those measurements fall. These estimates are not necessarily indicative of the amounts the Group could ultimately realise.

	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 €'000	Total €'000
<b>Recurring Measurements - Assets</b>				
Investment properties	–	–	685,080 <sup>(1)</sup>	685,080

(1) Fair values for investment properties are calculated using the income approach / yield methodology method, which results in these measurements being classified as Level 3 in the fair value hierarchy. See note 5 for detailed information on the valuation methodologies and fair value reconciliation.

### b) Risk management

The main risks arising from the Group's financial instruments are market risk, interest rate risk, liquidity and credit risks. 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

As at 31 December 2016, I-RES' Credit Facility was drawn for €214.1 million. Interest on this Credit Facility was paid at a rate of 2.0% per annum plus the one-month or three-month EURIBOR rate (at the option of I-RES). For the period ended 31 December 2016, a 100 basis point change in interest rates would have the following effect:

	Change in interest rates Basis Points	Increase (decrease) in net income 2016 €'000
EURIBOR rate debt <sup>1</sup>	+100	(2,141)
EURIBOR rate debt	–100	2,141

(1) Based on the fixed margin of 2.0% plus the one-month EURIBOR rate as at 31 December 2016 of -0.373%.

### **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 2016 <sup>(2)</sup>	6 months or less €'000	6 to 12 months €'000	1 to 2 years €'000	2 to 5 years €'000	More than 5 years €'000
Loan drawn down	–	–	–	214,100	–
Bank indebtedness interest <sup>(1)</sup>	1,751	1,780	3,532	7,199	–
Other liabilities	9,358	–	–	–	–
Security deposits	3,283	–	–	–	–
	14,392	1,780	3,532	221,299	–

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

(2) Based on carrying value at maturity dates.

The carrying value of bank indebtedness and trade and other payables (other liabilities) is approximate to 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 and will not be exposed to the creditworthiness or solvency of any one counterparty.

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

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.

Cash and cash equivalents are held by significant major Irish and European institutions. 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.

### **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 property in Ireland. I-RES intends to make distributions if results of operations and cash flows permit in the future.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. At 31 December 2016, capital consists of equity and debt, with the Group Total Gearing of 31.3%. I-RES seeks to use gearing to enhance shareholder returns over the long term. The level of gearing is monitored carefully by the Board in light of the cost of borrowing and I-RES may seek to use hedging where considered appropriate to mitigate interest rate risk. Given the stability of the residential rental accommodations sector, 45% gearing 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.

## 12. 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 set off against profits of the residual business.

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

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

## 13. 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 9 February 2016, the Directors declared an interim dividend of €13.1 million for the 2015 accounting period, and paid on 21 March 2016 to the shareholders on record as of 19 February 2016 (3.15 cents per share).

Relating to the I-RES accounting period from 31 March 2014 to 31 December 2014, the Directors paid a maiden dividend of €969,600 (0.48 cents per share) in the form of an interim dividend on 31 March 2015 to shareholders on record as at 20 February 2015, and paid a second interim dividend of €833,609 (0.20 cents per share) on 4 September 2015 to shareholders on record as at 21 August 2015.

	<b>2016</b>	<b>2015</b>
	<b>€'000</b>	<b>€'000</b>
Profit for the period	<b>46,991</b>	30,822
Less: net movement in fair value of investment properties	<b>(26,439)</b>	(18,639)
Property income of the Property Rental Business	<b>20,552</b>	12,183
Add back: share-based compensation expense	<b>417</b>	979
Distributable reserves	<b>20,969</b>	13,162

#### 14. Supplemental Cash Flow Information

For the Period	31 December 2016 €'000	31 December 2015 €'000
Financing costs on credit facility as per the consolidated statement of profit or loss and other comprehensive income	4,085	1,865
Less: amortisation of financing fees	(643)	(370)
<b>Financing costs on credit facility</b>	<b>3,442</b>	<b>1,495</b>

#### Changes in operating assets and liabilities

For the Period	31 December 2016 €'000	31 December 2015 €'000
(Increase) Prepaid expenses	(480)	(15)
(Increase) Other receivables	(18)	(435)
Decrease / (Increase) Deposits and other assets	6,513	(7,040)
Increase Accounts payable and other liabilities	2,398	2,049
Increase Security deposits	1,183	581
<b>Changes in operating assets and liabilities</b>	<b>9,596</b>	<b>(4,860)</b>

#### Issuance of shares

For the Period	31 December 2016 €'000	31 December 2015 €'000
Issuance of shares	327	215,000
Issuance costs	(25)	(10,896)
<b>Net proceeds</b>	<b>302</b>	<b>204,104</b>

#### 15. Related Party Transactions

CAPREIT LP has an indirect 15.7% 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. In addition, effective 11 April 2014, CAPREIT LP's wholly-owned subsidiary, IRES Fund Management Limited ("**IRES Fund Management**"), entered into an agreement to perform certain property and asset management services for the Group. As per the agreement, 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 as asset management fees.

On 28 October 2015, IRES Fund Management became authorised by the Central Bank as an alternative investment fund manager under the European Union (Alternative Investment Fund Managers) Regulations, 2013 (the "**AIFM Regulations**"). On 1 November 2015, IRES Fund Management was appointed by the Company as its alternative investment fund manager in accordance with the AIFM Regulations and replaced the third-party regulated fund manager. On this date, the investment management agreement between IRES Fund Management and I-RES as amended or may be amended from time to time, the "**Investment Management Agreement**", came into effect, 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 as asset management fees to IRES Fund Management. The Investment Management Agreement governs the provision of portfolio management, risk management and other related services to the Company by the Investment Manager. It has an initial term of five years, unless it is duly terminated pursuant to a provision of the Investment Management Agreement, and thereafter shall continue in force for consecutive five-year periods.

For the period ended 31 December 2016, I-RES incurred €2.7 million in asset management fees. In addition, €1.4 million in property management fees were incurred and recorded under operating expenses. For the year ended 31 December 2015, €1.9 million in asset management fees and €0.9 million in property management fees were recorded.

The amount payable to CAPREIT LP (including IRES Fund Management), totalling €5.4 million as at 31 December 2016 (€3.5 million as at 31 December 2015), 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 at an arm's length basis. The amount receivable from CAPREIT LP (including IRES Fund Management) totalled €87,000 as at 31 December 2016 (€60,000 as at 31 December 2015), related to the leasing of office space and other miscellaneous expenses incurred by I-RES on behalf of CAPREIT LP.

IRES Fund Management has leases for office space with I-RES. The rental income for the office space for the period ended 31 December 2016 was €77,000 (€37,000 for the year ended 31 December 2015.) The leases expire on 1 March 2020 and 1 December 2020. Minimum annual rental payments from IRES Fund Management for the next three years are as follows:

	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
Minimum annual rent payments from IRES Fund Management	79	79	79

David Ehrlich is the CEO and a director of I-RES. He is also a trustee of CAPREIT. Thomas Schwartz is a non-executive director of I-RES. He is also a trustee of CAPREIT and a trustee or director of each of CAPREIT's subsidiaries, including IRES Fund Management. He is also the President and CEO of CAPREIT and each of its Canadian subsidiaries.

In addition, Mr Ehrlich will be entitled to participate in the LTIP and, under his employment contract, he is entitled to be granted options in respect of 3% of the number of shares issued by the Company pursuant to an equity offering. On 26 March 2015, Mr Ehrlich and Mr Schwartz were granted a further 6,450,000 and 1,075,000 options, respectively, pursuant to I-RES' Capital Raise. On 16 April 2014, Mr Ehrlich and Mr Schwartz were granted 6,060,000 and 2,020,000 options, respectively, pursuant to I-RES' Initial Offering.

The only executive member of the Board is David Ehrlich, CEO, who was appointed as the CEO of I-RES on 16 April 2014; all other members are non-executive directors. Mr Ehrlich's total remuneration for the period ended 31 December 2016 was €684,000 (CAD\$1 million). Mr Ehrlich's total remuneration for the period from 1 January 2015 to 31 December 2015 was €753,000 (CAD\$1 million).

Certain trustees and employees of CAPREIT and its affiliates were granted options of I-RES in the Initial Offering and the Capital Raise.

Total expenses is comprised of remuneration of the non-executive Directors of €278,000 for the period ended 31 December 2016, and €200,000 for the year ended 31 December 2015, excluding expenses related to David Ehrlich, CEO and director. There were two new directors appointed on 23 March 2016. No loans or quasi-loans were made to the Directors in either period.

#### *Owner 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 owner 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 owner management companies' boards of directors. However, as each of those owner 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 owner management companies to be material for consolidation, either individually or collectively. I-RES has considered the latest available financial statements of these owner management companies in making this assessment.

Details of the owner management companies in which the Group had an interest during the period ended 31 December 2016, along with the relevant service fees paid by Group to them, are as follows:

<b>Owner Management Entity</b>	<b>Registered Official Address</b>	<b>Development Managed</b>	<b>Percentage of Voting Rights Held % of total<sup>(1)</sup></b>	<b>Service Fees Incurred in the Period €'000</b>	<b>Payable by I-RES €'000</b>	<b>Prepaid by I-RES €'000</b>
<i>Majority voting rights held</i>						
Priorsgate Estate Owners Management Company Limited by Guarantee	Unit 4b Lazer Lane, Grand Canal Square, Dublin 2	Priorsgate	52.40	141.52	-	-
GC Square (Residential) Owners Management Company Limited	Unit 4b Lazer Lane, Grand Canal Square, Dublin 2	Marker Residences	80.00	200.25	-	-
Lansdowne Valley Management Company Limited by Guarantee	Unit 4b Lazer Lane, Grand Canal Square, Dublin 2	Lansdowne	78.60	434.81	145.64	-
Charlestown Apartments Management Company Limited By Guarantee	Unit 4b Lazer Lane, Grand Canal Square, Dublin 2	Charlestown	82.46	428.09	-	-
Bakers Yard Management Company Limited by Guarantee	Ulysses House Foley Street Dublin 1	Bakers Yard	66.19	127.27	-	-
Rockbrook Grande Central Owners Management Company Limited by Guarantee	Unit 4b Lazer Lane, Grand Canal Square, Dublin 2	Grande Central	73.53	306.25	-	-
Rockbrook South Central Owners Management Company Limited by Guarantee	Unit 4b Lazer Lane, Grand Canal Square, Dublin 2	South Central	80.00	355.85	-	-
Rockbrook Estate Management Company Limited by Guarantee	Unit 4b Lazer Lane, Grand Canal Square, Dublin 2	Rockbrook Commercial	92.86 <sup>(2)</sup>	24.65	-	-
TC West Estate Management Company Limited by Guarantee	Charter House 5 Pembroke Row, Dublin 2 D02 FW61	Tallaght Commercial	75.00	762.07	-	189.64
TC West Residential Owners Management Company Limited by Guarantee	Charter House 5 Pembroke Row, Dublin 2 D02 FW62	Tallaght Residential	87.18	682.85	-	114.74
Gloucester Maple Management Company Limited by Guarantee	Ti Phuirseil Freeport, Barna, Galway H91 W90P	City Square	85.71	25.29	20.00	-
Elm Park Ballsbridge Enterprises Properties Company Limited by Guarantee	2 Lansdowne Shelbourne Ballsbridge Dublin 4	Elmpark	60.54	225.12	-	79.98
Coldcut Management Company Limited By Guarantee	C/O Brehan Capital Partners Limited. 2nd Floor Guild House, Guild Street Dublin 1	Coldcut Property	95.70	25.06	25.06	-
<i>Minority voting rights held</i>						
BSQ Management Company Limited by Guarantee	5th Floor St Stephen's Green House Earlsfort Terrace St Stephens Green Dublin 2	Beacon South Quarter	11.28	595.29	-	-
GC Square Management Company Limited by Guarantee	2nd Floor Guild House, Guild Street, Dublin 1	The Marker Commercial	48.00	-	-	-
Sandyford Forum Management Company Limited by Guarantee	28/30 Burlington Road Dublin 4	The Forum	6.30	12.36	6.05	-

(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.

All of these owner management companies are incorporated in Ireland and are property management companies. As noted above, as at 31 December 2016, €196,750 is payable and €384,360 is prepaid by the Group to the owner management companies. As at 31 December 2015, €94,300 was payable by I-RES to the owner management companies.

Pursuant to a management agreement between IRES Fund Management and GC Square (Residential) Management Company Limited, commencing 11 March 2015, IRES Fund Management became the managing agent for the Marker Residences. For the year ended 31 December 2016, I-RES has incurred management agent expense for the Marker Residences in the amount of €24,600, as compared to €19,000 for the period from 11 March 2015 to 31 December 2015.

Pursuant to a management agreement between IRES Fund Management and GC Square Management Company Limited, commencing 11 August 2015, IRES Fund Management became the managing agent for the Marker Commercial. For the year ended 31 December 2016, I-RES has incurred management agent expense for the Marker Commercial in the amount of €3,200, as compared to €1,200 for the period from 11 August 2015 to 31 December 2015.

Pursuant to a management agreement between IRES Fund Management and Rockbrook South Central Management Company Limited, commencing 1 January 2016, IRES Fund Management became the managing agent for the Rockbrook South Central Residences. For the period ended 31 December 2016, I-RES has incurred management agent expense for the Rockbrook South Central Residences in the amount of €42,540.

Pursuant to a management agreement between IRES Fund Management and Rockbrook Grande Central Management Company Limited, commencing 1 January 2016, IRES Fund Management became the managing agent for the Rockbrook Grande Central Residences. For the year ended 31 December 2016, I-RES has incurred management agent expense for the Rockbrook Grande Central Residences in the amount of €45,628.

Pursuant to a management agreement between IRES Fund Management and Rockbrook Estate Management Company Limited, commencing 1 January 2016, IRES Fund Management became the managing agent for the Rockbrook Commercial. For the period ended 31 December 2016, I-RES has incurred management agent expense for the Rockbrook Commercial in the amount of €30,630.

Pursuant to a management agreement between IRES Fund Management and Elm Park Ballsbridge Enterprises Properties Limited, commencing 1 June 2016, IRES Fund Management became the managing agent for the Elm Park Residences. For the period ended 31 December 2016, I-RES has incurred management agent expense for the Rockbrook Commercial in the amount of €23,331.

Pursuant to a management agreement between IRES Fund Management and Coldcut Management Company Limited, commencing 1 September 2016, IRES Fund Management became the managing agent for the Coldcut Residences. For the period ended 31 December 2016, I-RES has incurred management agent expense for the Coldcut Residences in the amount of €5,667.

#### **Pipeline agreement**

CAPREIT LP entered into an agreement (the "**Pipeline Agreement**") dated 21 November 2014 (as amended on 9 February 2015 with effect from 21 November 2014) with I-RES to make available up to €150.0 million for a period of up to one year to acquire properties in Ireland, and to subsequently permit I-RES to acquire such properties from CAPREIT LP, subject, among other things, to shareholder approval once I-RES has sourced additional funding to do so. CAPREIT LP's obligation to make available up to €150.0 million terminates on the earlier of: (i) the completion of a capital raise by I-RES, and (ii) one year from the date of the Pipeline Agreement (or such later date as may be agreed in writing by the parties).

The Pipeline Agreement was amended on 9 February 2015, with effect from 21 November 2014, to remove the proposed 2.5-year extension to be made to the investment management agreement between I-RES and IRES Fund Management, and related services agreement among I-RES, CAPREIT LP and IRES Fund Management, and to include an underwriting fee of 1% of the purchase price of each property investment acquired under the Pipeline Agreement as part of the purchase price payable by I-RES to CAPREIT LP for each such property investment. The Pipeline Agreement was approved by shareholders on 25 March 2015.

The €150.0 million facility commitment provided by CAPREIT LP to I-RES under the Pipeline Agreement terminated on 26 March 2015 on completion of I-RES' Capital Raise.

## 16. Contingencies

The Group has contingent liabilities in respect of potential costs relating to certain structural remediation works. It is not anticipated that material costs will arise from these contingent liabilities.

## 17. Commitments

Commitments relate to a construction contract on a fixed price basis, with €9.7 million and capital investments in investment properties of approximately €1 million outstanding as at 31 December 2016.

## 18. 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 Period	1 January 2016 to 31 December 2016	1 January 2015 to 31 December 2015
<b>Profit attributable to shareholders of I-RES (€'000)</b>	<b>46,991</b>	<b>30,822</b>
Basic weighted average number of shares	417,135,631	367,520,548
Diluted weighted average number of shares <sup>(1)</sup>	419,855,417	370,548,189
<b>Basic Earnings per share (cents)</b>	<b>11.3</b>	<b>8.4</b>
<b>Diluted Earnings per share (cents)</b>	<b>11.2</b>	<b>8.3</b>

(1) Diluted weighted average number of shares includes the additional shares resulting from dilution of the long term incentive plan options as of the reporting period date.

EPRA issued Best Practices Recommendations most recently in August 2011 and additional guidance in December 2014, 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.

For the Period	1 January 2016 to 31 December 2016	1 January 2015 to 31 December 2015
<b>Earnings per IFRS statement of profit or loss and other comprehensive income (€'000)</b>	<b>46,991</b>	<b>30,822</b>
Adjustments to calculate EPRA Earnings, exclude:		
Changes in fair value on investment properties (€'000)	(26,439)	(18,639)
<b>EPRA Earnings (€'000)</b>	<b>20,552</b>	<b>12,183</b>
Basic weighted average number of shares	417,135,631	367,520,548
<b>EPRA Earnings per share (cents)</b>	<b>4.9</b>	<b>3.3</b>

## 19. Net Asset Value per Share

EPRA issued Best Practices Recommendations most recently in August 2011 and additional guidance in December 2014, 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 marked-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.

As at	31 December 2016	31 December 2015
Net assets (€'000)	469,595	435,020
EPRA net assets (€'000)	469,595	435,020
Number of shares outstanding	417,292,006	417,000,000
Diluted number of shares outstanding	420,512,220	420,396,755
Basic Net Asset Value per share (cents)	112.5	104.3
EPRA Net Asset Value per share (cents)	112.5	104.3
Diluted Net Asset Value per share (cents)	111.7	103.5

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

For the Period	1 January 2016 to 31 December 2016 €'000	1 January 2015 to 31 December 2015 €'000
<b>Directors' remuneration<sup>(1)</sup></b>		
Short-term employee benefits	962	793
Post-employment benefits	–	–
Other long-term benefits <sup>(2)</sup>	54	34
Share-based payments	310	270
Termination benefits	–	–
<b>Total</b>	<b>1,326</b>	<b>1,097</b>

(1) None of these costs have been capitalised.

(2) 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 for the CEO.

For the Period	1 January 2016 to 31 December 2016 €'000	1 January 2015 to 31 December 2015 €'000
<b>Employment costs<sup>(1)</sup></b>		
Salaries and bonus	684	753
Social insurance costs	24	25
Pension costs	–	–
Share-based payments	254	424
Termination benefits	–	–
Other	–	–
<b>Total</b>	<b>962</b>	<b>1,202</b>

(1) David Ehrlich is the only permanent employee of I-RES.

For the Period	1 January 2016 to 31 December 2016 €'000	1 January 2015 to 31 December 2015 €'000
<b>Auditor remuneration (including expenses)</b>		
Audit of the group accounts	116	104
Other assurance services	19	19
Tax advisory services	74	388
Other non-audit services <sup>1</sup>	–	304
<b>Total</b>	<b>209</b>	<b>815</b>

(1) Included in other non-audit services are services provided in relation to the share issuance for the Capital Raise. This amount has been charged to the share premium account as part of the cost of share issuances.

## GLOSSARY OF TERMS

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

<b>“Annualised Passing Rent”</b>	Defined as the annualised cash rental income being received as at the stated date;
<b>“Average Monthly Rent (AMR)”</b>	Actual monthly residential rents, net of vacancies, as at the stated date, divided by the total number of apartments owned in the property;
<b>“Basic Earnings per share (Basic EPS)”</b>	Calculated by dividing the profit for the reporting period attributable to ordinary shareholders of the Company in accordance with IFRS by the weighted average number of ordinary shares outstanding during the reporting period;
<b>“EPRA EPS”</b>	Calculated by dividing EPRA Earnings for the reporting period attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period. EPRA Earnings 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;
<b>“EPRA NAV per share”</b>	Calculated by dividing EPRA NAV by the basic weighted average number of ordinary shares outstanding during the reporting period;
<b>“Basic Net Asset Value per share”</b>	Calculated by dividing NAV by the basic weighted average number of ordinary shares outstanding during the reporting period;
<b>“Capitalisation Rate”</b>	The rate of returns on a property investment based on current and projected future revenue streams that such property investment will generate;
<b>“Companies Act, 2014”</b>	The Irish Companies Act, 2014;
<b>“Diluted Earnings per share (Diluted EPS)”</b>	Calculated by dividing profit for the reporting period attributable to shareholders by the diluted weighted average number of ordinary shares outstanding during the reporting period;
<b>“Diluted Net Asset Value per share”</b>	Calculated by dividing NAV by the diluted weighted average number of ordinary shares outstanding during the reporting period;
<b>“Diluted weighted average number of shares”</b>	Includes the additional shares resulting from dilution of the long-term incentive plan options as of the reporting period date;
<b>“EPRA”</b>	The European Public Real Estate Association;
<b>“EPRA NAV”</b>	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 marked-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;

## GLOSSARY OF TERMS

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<b>“Equivalent Capitalisation Rate”</b>	The Equivalent Capitalisation Rate is calculated as the Stabilised NRI divided by the fair value of the investment property;
<b>“Group Total Gearing”</b>	Calculated by dividing the loan drawn down by the market value of Group’s investment properties;
<b>“Gross Yield”</b>	Calculated as the Annualised Passing Rent as at the stated date, divided by the fair value of the investment properties excluding fair value of development land and investment properties under development as at the reporting date;
<b>“Market Capitalisation”</b>	Calculated as the closing share price at the stated date multiplied by the number of shares outstanding;
<b>“Net Asset Value” or “NAV”</b>	Calculated as the value of the Group or Company’s assets less the value of its liabilities measured in accordance with IFRS;
<b>“Net Rental Income (NRI)”</b>	Measured as property revenue less property operating expenses;
<b>“Net Rental Income Margin”</b>	Calculated as the NRI over the revenue from investment properties;
<b>“Occupancy Rate”</b>	Calculated as the total number of apartments occupied over the total number of apartments owned as at the reporting date;
<b>“Property Income”</b>	As defined in section 705A of the Taxes Consolidation Act, 1997. It means in relation to a company or group, means the Property Profits of the company or group, as the case may be, calculated using accounting principles, as: (a) reduced by the Property Net Gains of the company or group, as the case may be, where Property Net Gains arise, or (b) increased by the Property Net Losses of the company or group, as the case may be, where Property Net Losses arise;
<b>“Property Profits”</b>	As defined in section 705A of the Taxes Consolidation Act, 1997;
<b>“Property Net Gains”</b>	As defined in section 705A of the Taxes Consolidation Act, 1997;
<b>“Property Net Losses”</b>	As defined in section 705A of the Taxes Consolidation Act, 1997;
<b>“Property Rental Business”</b>	As defined in section 705A of the Taxes Consolidation Act, 1997;
<b>“Sq. ft.”</b>	Square feet;
<b>“Sq. m.”</b>	Square metres;
<b>“Stabilised NRI”</b>	Measured as property revenue less property operating expenses adjusted for market-based assumptions such as long-term vacancy rates, management fees, repairs and maintenance;

## FORWARD-LOOKING STATEMENTS

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### **I-RES Disclaimer – Preliminary Results**

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

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

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

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### STOCK EXCHANGE LISTING

Shares of I-RES are listed on the Irish Stock Exchange under the trading symbol "IRES".