

# Preliminary Results Announcement

*For the period from 13 August 2013 (date of incorporation) to 31 March 2014*

## Hibernia REIT plc

20 May 2014

### Preliminary announcement of results

Hibernia REIT plc (“Hibernia” or the “Company”) announces results for the period from incorporation on 13 August 2013 to 31 March 2014.

#### HIGHLIGHTS

- **€385m raised** (€372m net of expenses) in successful initial public offering on the Irish and London Stock Exchanges in December 2013
- **€223m of equity invested and committed to date in 5 acquisitions**, representing 60% of net IPO proceeds
- **4 of the 5 acquisitions to date undertaken off-market**, with 3 of the 5 acquisitions made through loan purchases
- **Investment Manager team built out with four new hires**, bringing permanent headcount to 10
- **Three further hires in pipeline**: CFO appointment imminent

#### HIGHLIGHTS TO 31 MARCH 2014

- **Successful listing** on the Irish and London Stock Exchanges in December 2013
- **Feb 2014**: acquired €67m (excluding transactions costs) loan portfolio of predominantly **Dublin residential assets** from Ulster Bank in an off-market transaction
- **Mar 2014**: contracted to acquire New Century House, an **office building** in the IFSC, for €47m (excluding transactions costs) in an off-market transaction completed in April
- **Mar 2014**: contracted to acquire Gateway site, an **industrial / logistics facility** at Newlands Cross, Dublin 22 for €10m (excluding transactions costs) in a transaction which closed in May

	<b>March 2014</b>
Net Assets	€371.0m
EPRA and Basic NAV per share	96.35 cents
Group LTV	0%
Net cash & cash equivalents	€291.7m
Net Loss	€(0.85)m
Basic and diluted EPS	(0.22) cents

- **€79m of cash invested by 31 March 2014**, with a further €67m committed
- **€292m of cash** as at 31 March 2014

#### HIGHLIGHTS SINCE 31 MARCH 2014

- **May 2014**: acquisition of Montague House and Hardwicke House, **two office buildings** in Dublin 2 in partially deferred off-market transaction of €60m. Initial investment of €18.25m in loans, with right to pay incremental €41.75m to take full ownership at any time in next 2 years

- **May 2014:** acquisition of Chancery **office building** and apartments in Dublin 8 for €16m via a loan transaction
- **€148m of cash invested to date**, with a further €75m committed

Danny Kitchen, Chairman of Hibernia REIT said:

*“Hibernia has made a strong and active start to life as a publicly traded REIT since the successful IPO in December 2013. We have now invested 60% of the net funds received from shareholders in 5 acquisitions in Dublin where there is intense competition for assets. Our focus has been, and will continue to be, on spending our shareholders’ money well rather than on prioritizing speed of deployment.”*

Kevin Nowlan, Chief Executive Officer, WK Nowlan REIT Management Ltd, said:

*“We are delighted with the progress we have made in our first 140 days of operation. All of the acquisitions we have made either have significant rental reversion to come or value-add / development angles. Our focus is on maximising returns for shareholders and we have been, and will remain, disciplined regarding the prices we are willing to pay for assets. All but one of our acquisitions was concluded off-market, in a number of cases buying loans to secure an interest in properties we wouldn’t otherwise have been able to. Looking ahead, we expect continued growth in rents and capital values in our target markets. Given our contacts and knowledge of the Dublin market, we are confident in our ability to continue to find attractive investment opportunities.”*

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Kevin Nowlan, Chief Executive Officer

Disclaimer

## **Chairman’s Statement**

I am pleased to present the first preliminary results of Hibernia REIT plc (the “Company” or “Hibernia”).

The Company was listed in December 2013 on the Irish and London Stock Exchanges. We raised gross funds of €385m through the initial public offering.

After allowing for the costs of fundraising we had net proceeds of €372m to invest. I am delighted to report that 60% of these funds have now been either deployed or committed.

Since the commencement of operations in January 2014, WK Nowlan REIT Management Limited (the “Investment Manager”), has identified and assessed numerous investment opportunities. All

investment opportunities are subject to rigorous review. Our focus has been, and will continue to be, on spending our shareholders money well rather than prioritising speed of deployment.

A number of the opportunities we have assessed failed to meet the criteria that the Board has established for investments. In addition we did not secure a number of opportunities which were identified as suitable investments as their transaction or asking prices went above our assessment of their value. This is a reflection of the intense competition in the marketplace to secure quality assets and in some instances the excessive expectations of vendors.

Considerable progress has been made by the Investment Manager in the short time since flotation in further strengthening the team of property and financial professionals and in setting up our administration systems.

## **Results**

The period from 13<sup>th</sup> August 2013 to 31<sup>st</sup> March 2014 shows a loss of €846,000. This is a reflection of the short period of operation since flotation and the very early stage we are at in the assembly of our portfolio. As the Group had not completed the acquisition of any investment property by the year end no rental income has been recognised. Our costs for this period have been in line with our budgets.

We did acquire a loan portfolio from Ulster Bank at a cost of €67M (excluding transaction costs) which represents a substantial discount to its par value. This approach was adopted in order to provide us with an opportunity to convert our loan holding into direct interests in a number of the key assets which provide the collateral for these loans. The Investment Manager was requested to formulate for Board approval a comprehensive and robust business plan to maximise the return for the Company from the realisation of the value of these loans. At 31<sup>st</sup> March 2014 this process was in progress and this investment continued to be recognised as Loans and Receivable in the financial statements. The security underlying these loans include a substantially complete 213 unit apartment complex in Dundrum, Wyckham Point, a 9,000 Sq.Ft Grade A let office development in the regenerated and vibrant Grand Canal Dock area and a high quality residential multi-family scheme in Ballsbridge, Dublin 4.

Prior to year-end we entered into contracts to acquire, at a cost of €10m, Gateway a strategically located industrial/logistics facility on a 14 acre site in south west Dublin close to the intersection of the N7/M7 and M50 motorways. We also contracted to acquire, at a cost of €47m, New Century House an 80,000 Sq.Ft. Prime Grade A office building let to Bank of Ireland and located in the heart of Dublin's International Financial Services Centre.

The upturn in the Irish property markets which we predicted prior to flotation has progressed more quickly than we anticipated. The competition to acquire high quality assets has been intense. Two of the three transactions to 31 March 2014 have been achieved off-market and are testament to the Investment Manager's in-depth knowledge of the Irish property industry and its markets. The Board is cognisant of the Investment Manager's proven ability in an extremely competitive market to identify and acquire quality assets which offer our shareholders both sustainable income and the real prospect of capital growth. In times like this, the temptation to acquire the wrong assets or wrongly priced assets is strong, particularly in auction processes. The Board and the Investment Manager are absolutely committed to judicious and careful asset selection.

## **Post Balance Sheet Events**

The completion of the acquisitions of Gateway and New Century House since the period-end at 31 March 2014 are very welcome developments. In addition since the period-end the Investment Manager has successfully negotiated the acquisition of two properties at a total cost of €76m.

Of particular note is the recent acquisition in an off-market transaction of Hardwicke House and Montague House for total consideration €60m with the bulk (€42m) of the acquisition cost deferred. These are top grade office buildings, with significant reversionary potential, in a prime CBD location.

We also very recently acquired for €16m by way of a loan note purchase, again off-market, the Chancery Building, a mixed-use predominantly office development with a small residential element located adjacent to Dublin Castle.

## **Outlook**

As our setup phase comes to its end I look forward with a high degree of optimism to our first full year of active operations.

In 2014 the Irish economy is continuing its gradual recovery. Our national finances are stabilising, domestic demand is growing, numbers in work are increasing and inward FDI flows remain strong. In our key target markets occupational demand is increasing while supply remains, and in the short term will continue to be, constrained. All these factors augur well for further growth in rental levels and capital values in the coming years.

The Investment Manager continues to actively pursue a number of investment opportunities with a particular focus on prime office accommodation and on active asset management value-adding opportunities. The current pipeline of potential opportunities is substantial, reflecting the continuing and accelerating deleveraging efforts of the banks and NAMA. Notwithstanding the competitive nature of the market I am confident about the prospects of further successful high-quality acquisitions in the coming year. The Board and the Investment Manager will maintain their commitment to careful asset selection and ensure that acquisition opportunities offering sustainable value to shareholders are preferred over those which address shorter term income and deployment concerns.

Finally I would like to pay particular tribute to my fellow director Mr Bill Nowlan for his enormous contribution to the introduction of REITs in Ireland by his founding and chairing of the REITs Forum. It was this group that was primarily responsible for making the case and persuading the government to introduce REITs to Ireland. With three REITs now up and running and over €1bn of funds raised for investment in Irish property, the introduction of REITs to Ireland has clearly been a success.

## **Investment Manager's Report**

### **Flotation**

Hibernia was admitted to the London and Irish Stock Exchanges in December 2013 and successfully raised €385m through its initial public offering.

## **Investment Management Role**

WK Nowlan REIT Management Limited provides a range of services to Hibernia, which has no employees. The services we provide include property acquisition and management services, accounting and administration services and regulatory services. We are authorised by the Central Bank of Ireland as an Authorised Investment Fund Manager (“AIFM”) under the AIFMD Regulations.

## **Our strategy**

As set out in the prospectus at the time of the IPO, the strategy Hibernia has adopted is to build a portfolio of attractively located, institutional quality, income-producing properties primarily in the Greater Dublin area. We intend to concentrate on the office sector, but will consider industrial, retail, warehousing and distribution, recreational, residential and other Irish property assets.

## **Review of Hibernia’s Operations**

Since flotation our principal focus has been on the identification, assessment and negotiation of investment acquisition opportunities. As the Irish economy has recovered, property markets, particularly Dublin’s, have enjoyed a period of consistently positive and accelerating growth. The positive fundamental supply and demand characteristics in our main target market of the Greater Dublin area have driven increases in rental and capital values in both commercial and residential property and fuelled competition among purchasers keen to acquire high quality property assets.

Our mandate from Hibernia’s Board is that, in addition to compliance with Hibernia’s investment policy, we must apply absolute rigour to our asset selection to ensure that we source investment opportunities of quality assets at the right price. Our emphasis is to acquire assets that will offer shareholders sustainable income and significant capital appreciation.

Notwithstanding this extremely competitive market environment and our highly disciplined approach to value, in the short period from the commencement of operations in January to the year-end, we agreed and contracted three significant acquisitions. At the period-end the combined value of these transactions and related anticipated capital expenditure is €148m which represented 40% of the €372m of net IPO proceeds which we had available for deployment. In our prospectus we indicated that we expected that it would take 18 to 24 months to fully deploy these funds. We are pleased to report that we are running well ahead of this target.

## *Loan Portfolio Acquisition*

In February we acquired from Ulster Bank for €67m a portfolio of loans secured on predominantly residential, and overwhelmingly Dublin located, real estate assets. It is envisaged that Hibernia may acquire certain core assets and the others, non-core, will be disposed of in a phased manner. Since year end we have formulated and submitted for Hibernia’s Board’s approval a comprehensive and robust business plan to maximise the return for Hibernia from the realisation of its interest in these loans. In this plan we propose that Hibernia acquire Block 3 Wyckham Point Dundrum, a high quality substantially complete 213 unit apartment complex and that this scheme be completed and income-producing as soon as practicable. In an improving residential rental market we are confident that we can achieve occupancy and rental levels ahead of the attractive levels which we initially estimated this property would achieve. Our current projection is that, if acquired, this property would generate gross rents of €4m (net €3m) which we project would represent gross yield of 7.00% to 7.25% (net yield 5.75% to 6.00%) on costs. We also propose that Hibernia acquire South Dock

House a 9,000 Sq.Ft 3<sup>rd</sup> generation office suite in a mixed use waterfront scheme located in the vibrant Grand Canal Dock area and Canon Place, a high quality 12 unit multi-family residential scheme in Ballsbridge Dublin 4. We propose that the remaining, non-core, assets which comprise 79 residential units, 12 commercial units and 3 residential development sites are sold off on a phased basis to maximise the return to Hibernia. The positive movement to date, and projected further increases, in residential rents and values have resulted in us revising upwards the projected returns from this disposal programme.

#### *New Century House*

On 10<sup>th</sup> March Hibernia contracted to acquire for €47m New Century House an 80,167 Sq.Ft 3<sup>rd</sup> generation office building located in the heart of Dublin's financial district, let to Bank of Ireland on a FRI (full repairing and insuring) lease expiring in 2024. The initial rent of €1.85m will increase to €2.85m once a rent abatement period expires in October 2015. There is a rent review due in 2019, a passing rental level of €32 per Sq.Ft. (post expiration of abatement) and real prospects for further rental growth in office market rents in the intervening years. We are confident that there is real potential for a substantial increase in the income return from this property. This acquisition was completed in April.

#### *Gateway Site*

On 28<sup>th</sup> March Hibernia contracted to acquire for €10m Gateway, a strategically located industrial/logistics facility on a 14 acre site in the south west of Dublin city, adjacent to the intersection of the two busiest roads (N7/M7 & M50) in Ireland and close to the Red Cow Luas (light rail) stop and park-and-ride facility. The property comprises 177,960 Sq.Ft. of warehouse accommodation which is currently 46% occupied and generates a gross rent of €517,000. We believe that this property offers both the opportunity to grow its rental income in the short term and, in the longer term, the potential to benefit from higher value uses and/or intensification of development on the site. This acquisition was completed in May.

#### *Montague House/Hardwicke House*

On 16<sup>th</sup> May, in an off-market transaction, Hibernia exchanged contracts to acquire two Grade A Dublin offices in the core of Dublin's CBD from the Hardwicke Group in a partially deferred transaction valuing the buildings at €60m. The initial cost is €18.25m with the right to take full ownership of the buildings at any time up to mid-2016 for an incremental sum of €41.75m. The properties comprise 88,483 sq. ft. of prime Grade A office accommodation with a current annual rent roll of €2.7m, which offers significant reversionary potential in the coming years.

### *Chancery Lane*

On 19<sup>th</sup> May 2014 Hibernia exchanged contracts to acquire the Chancery Building and the Chancery Apartments for €16m in an off-market loan purchase transaction. The property is located in a city centre location which is popular with government agencies. The Chancery Building is a 33,799 Sq. Ft. office building with a current annual rent roll of €1.1m. The Chancery Apartments comprise four fully let 2 bedroom flats with a separate entrance to the Chancery Building.

The combined value of all five of these transactions, acquisition costs and related anticipated capital expenditure is €223m which represents 60% of the net proceeds of the IPO.

### *Team*

During the period since flotation, in addition to the progress we have made in assembling the portfolio we have added to our management and support staff and now have a dedicated team of 10 property and financial professionals and we will continue to grow the team as required to meet the demands of providing Hibernia with the services it needs to become a best in class REIT. In addition to our own in-house team we have the option of drawing on the considerable resources of WK Nowlan Property's team of 30 seasoned property professionals.

### **Outlook**

It is likely that competition will remain intense in our target markets. However, we are confident of both the adequacy of the supply of investment opportunities and our ability to secure sufficient suitable properties to enable us to continue the momentum in the assembly of Hibernia's portfolio which we have demonstrated since January.

## **Consolidated Statement of Comprehensive Income**

*For the period from 13 August 2013 (date of incorporation) to 31 March 2014*

	Notes	Period to 31 March 2014 €'000
<b>Income</b>		
Revenue	4	158
Property outgoings	5	(59)
<b>Total net income</b>		<hr/> 99 <hr/>
Investment manager fee	20	(669)
Administration Expenses	6	(490)
<b>Total operating expenses</b>		<hr/> (1,159) <hr/>
<b>Net operating loss</b>		<b>(1,060)</b>

Finance income	7	<u>214</u>
Loss before tax		(846)
Income tax expense	8	<u>-</u>
Loss for the period from continuing operations		(846)
Other comprehensive income		<u>-</u>
<b>Total Comprehensive loss</b>		<b><u>(846)</u></b>
<b>Earnings per share</b>		<b>Cents</b>
Basic and diluted	9	(0.221)

## Consolidated Statement of Financial Position

*As at 31 March 2014*

	Notes	2014 €'000
<b>Assets</b>		
<i>Non-current assets</i>		
Loans and receivables	10	68,563
<i>Current assets</i>		
Trade and other receivables	11	11,647
Cash and cash equivalents	12	<u>291,690</u>
Total current assets		<u>303,337</u>
<b>Total assets</b>		<b><u>371,900</u></b>
<b>Equity and liabilities</b>		
<b>Capital and reserves</b>		
Issued capital and share premium	13	371,812
Retained earnings	14	<u>(846)</u>
<b>Total equity</b>		<b><u>370,966</u></b>
<i>Current liabilities</i>		
Trade and other payables	15	<u>934</u>
		<u>          </u>

Total current liabilities	934
<b>Total equity and liabilities</b>	<b><u>371,900</u></b>

**Cents**

<b>EPRA NAV per share</b>	16	<b><u>96.35</u></b>
<b>IFRS NAV per share</b>	16	<b><u>96.35</u></b>

The financial statements on pages 7 to 31 were approved and authorised for issue by the Board of Directors on 19 May 2014 and signed on its behalf by:

Mr Daniel Kitchen

Mr Terence O'Rourke

Chairman

Director

## Consolidated Statement of Changes in Equity

*For the period from 13 August 2013 (date of incorporation) to 31 March 2014*

		Share Capital	Share Premium	Retained earnings	Total
	Notes	€'000	€'000	€'000	€'000
<b>Total Comprehensive Income for the period</b>					
Loss for the period		-	-	(846)	(846)
Total Other Comprehensive Income		-	-	-	-
				(846)	(846)
<b>Transactions with owners of the Company, recognised directly in equity</b>					
Issue of ordinary shares for cash	13	38,500	346,500	-	385,000
Share issue costs	13	-	(13,188)	-	(13,188)
<b>At 31 March 2014</b>		<b>38,500</b>	<b>333,312</b>	<b>(846)</b>	<b>370,966</b>

## Consolidated Statement of Cash Flows

*For the period from 13 August 2013 (date of incorporation) to 31 March 2014*

	Notes	Period to 31 March 2014 €'000
<b>Cash flows from operating activities</b>		
Loss for the period		(846)
Adjusted for:		
Finance income		(214)
Interest income accrued		(158)
<b>Operating cashflow before movement in working capital</b>		<b>(1,218)</b>
Increase in trade and other receivables		(600)
Increase in trade and other payables		434
<b>Net cash flow from operating activities</b>		<b>(1,384)</b>
<b>Cash flows from investing activities</b>		
Deposit paid on investment property		(11,010)
Purchase of loans and receivables		(67,905)
Interest received		177
<b>Net cashflow from investing activities</b>		<b>(78,738)</b>
<b>Cash flow from financing activities</b>		
Proceeds from the issue of ordinary share capital		385,000
Share issue costs		(13,188)
<b>Net cash inflow from financing activities</b>		<b>371,812</b>
<b>Net Increase in cash and cash equivalents</b>		<b>291,690</b>
<b>Net cash and cash equivalents at period end</b>	<b>12</b>	<b>291,690</b>

## Notes to the Financial Statements

### 1. General Information

Hibernia REIT plc ('the Company') and its subsidiary, Hibernia REIT Finance Limited (together 'the Group') are engaged in property investment (primarily commercial) in the Irish market with a view to maximising its shareholders' returns.

The Company is a public limited company and is incorporated and domiciled in Ireland. The address of the Company's registered office is Marine House, Clanwilliam Place, Dublin 2. The Company was incorporated on 13 August 2013 and re-registered as a public limited

company on 8 November 2013. The registered number of the Company is 531267.

The Company's ordinary shares were listed on the main market for listed securities on the Irish and London Stock Exchanges on 11 December 2013.

## **2. Application of new and revised International Accounting Standards (IFRS)**

The following standards and interpretations to existing standards have been published by the International Accounting Standards Board ("IASB") and, to the extent indicated, have been adopted by the European Union ("EU") and will be mandatory for future accounting periods. The Company has not early adopted these standards or interpretations.

- IFRS 9 (2009 & 2010) Financial Instruments, which is effective for reporting periods beginning on or after 1 January 2018, introduces new requirements for the classification and measurement of financial assets and introduces additions relating to financial liabilities.
- IFRS 10 Consolidated Financial Statements, which is effective for reporting periods beginning on or after 1 January 2013 (EU effective date: 1 January 2014), introduces a single control model to determine whether an investee should be consolidated.
- IFRS 11 Joint Arrangements, which is effective for reporting periods beginning on or after 1 January 2013 (EU effective date: 1 January 2014), sets out new criteria in determining the type of joint arrangement and therefore the subsequent accounting treatment.
- IFRS 12 Disclosure of Interest in Other Entities, which is effective reporting periods beginning on or after 1 January 2013 (EU effective date: 1 January 2014), brings together into a single standard all the disclosure requirements about an entity's interest in subsidiaries, joint arrangements, associates and unconsolidated structured entities.
- IFRS 14 Regulatory Deferral Accounts, applies to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016, permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.
- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets, which are effective for accounting periods beginning on or after 1 January 2016, clarify acceptable methods of depreciation and amortisation.
- IAS 19 Employee Benefits, which is effective for accounting periods beginning on or after 1 July 2014, deals with employee contributions to defined benefit plans.
- IAS 27 Separate Financial Statements, which is effective for accounting periods beginning on or after 1 January 2013 (EU effective date: 1 January 2014). Consolidation requirements previously forming part of IAS 27 (2008) have been revised and are now contained in IFRS 10 Consolidated Financial Statements.
- IAS 28 Investments in Associates and Joint Ventures, which is effective for accounting periods beginning on or after 1 January 2013 (EU effective date 1 January 2014), amends the previous version of IAS 28 and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.
- IAS 32 Financial Instruments: Presentation, which is effective for accounting periods beginning on or after

1 January 2014, deals with the offsetting of financial assets and liabilities.

- IAS 36 Impairment of Assets, which is effective for accounting periods starting on or after 1 January 2014, introduces amendments arising from Recoverable Amount Disclosures for Non-Financial Assets.
- IAS 39 Financial Instruments: Recognition and Measurement, introduces amendments for novation of derivatives (effective for accounting periods beginning on or after 1 January 2014) and amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception (effective for accounting periods where IFRS 9 is applied).
- Annual Improvements to IFRS: 2011-13 cycle and Annual Improvements to IFRS: 2010-12 cycle. The IASB has adopted the Annual Improvements process to deal efficiently with a collection of narrow scope amendments to IFRSs even though the amendments are unrelated. These amendments are effective for annual periods beginning on or after 1 July 2014, although entities are permitted to apply them earlier.

The Company has not yet fully determined the impact of these amendments on its future financial reporting but does not expect them to have a material impact.

### **3. Significant Accounting Policies**

#### **a. Statement of compliance**

The consolidated financial statements of Hibernia REIT plc have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the

EU, which comprise standards and interpretations approved by the International Accounting Standards Board (IASB). IFRS as adopted by the EU differ in certain respects from IFRS as issued by the IASB.

#### **b. Functional and presentation currency**

These financial statements are presented in Euro, which is the Company's functional currency and the Group's presentation currency.

#### **c. Basis of preparation**

The financial statements have been prepared on a going concern basis, in accordance with IFRS and the IFRS Interpretations Committee (IFRIC) interpretations as adopted by the European Union and the Companies Act 1963 to 2013.

The financial statements have been prepared under the historical cost convention.

#### **d. Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary, Hibernia REIT Finance Limited. The Company controls Hibernia REIT Finance 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.

#### **e. Significant judgements and key estimates**

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires the Group to exercise judgment in applying the Group's accounting policies. Although these estimates are based on the Board's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The following are the significant judgements and key estimates

which were made in respect of the Report and Financial Statements.

#### *Recognition and classification of Investment transactions*

The Company was in the process of acquiring two investment properties at the period end. Both acquisitions were completed after 31 March 2014 at a total cost of €57,934,129. After due consideration of the conditions attaching to the acquisitions, the Directors concluded that neither of these properties should be recognised in the statement of financial position at the period end.

The Group also acquired a portfolio of loans secured on property assets in February 2014. Note 10 on page 20 gives further detail in respect of these assets. The Directors are in the process of assessing the collateral assets underlying this portfolio in terms of their suitability as investment property under the Group's investment strategy. To that end, WK Nowlan Property is undertaking a review of the property on behalf of the Investment Manager. Once this review is complete, the Group will seek to acquire any assets identified by this process as suitable acquisitions, and approved by the Board, from the receiver or borrower. In preparing these financial statements, the Directors have reviewed the status of this process and determined that none of the collateral assets meet the Group's accounting policy for recognition as investment property.

#### *Impairment of Loans and receivables*

The Directors' have assessed the loans and receivables for impairment and have determined that the carrying value of the loans and receivables do not require impairment as they expect that the loans will be resolved at least at their carrying value due to the value of the collateral on which they are secured . Further information on these loans is given in Note 10 on page 20.

#### *Costs associated with the Initial Public Offering ("IPO")*

The Directors have assessed the expenses associated with the IPO and identified expenses that relate directly to the issue of shares. These expenses have been offset against the share premium account as described in the accounting policy, 3.o: Equity and share issue costs.

There were no other items of significant judgement or key estimates that might have a material impact on the financial statements at 31 March 2014.

#### **f. Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised in the statement of comprehensive income when it meets the following criteria:

- it is probable that any future economic benefit associated with the item of revenue will flow to the Company, and
- the amount of revenue can be measured with reliability.

Interest income and expense are recognised in the statement of comprehensive income using the effective interest method.

#### **g. Foreign currencies transactions and balances**

Transactions in currencies other than Euro are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of each period, monetary amounts denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing when the fair value was determined. Non-monetary items carried at historical cost are not re-translated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

#### **h. Finance income and expense**

Interest income and expense is recognised in the income statement for all interest-bearing financial instruments using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

#### **i. Provisions**

A provision is recognised if, as a result of a past event, the Group has a present obligation (legal or constructive) that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows (in most cases, the risk free rate) at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

#### **j. Expenses**

Expenses are recognised in the Statement of Comprehensive Income on an accrual basis.

#### **k. Taxation**

Hibernia REIT plc elected for Real Estate Investment Trust (REIT) status on 11 December 2013. As a result, the Group will not pay Irish corporation tax on the profits and gains from qualifying rental business in Ireland provided it meets certain conditions. Corporation tax is still payable as normal in respect of income and gains from a Group's

residual business (generally any non-property rental business). The Group is also liable to pay other taxes such as VAT, Relevant Contracts Tax, local property tax, property rates, payroll taxes and foreign taxes as normal.

#### ***Current tax***

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

#### ***Deferred tax***

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

#### **l. Financial instruments**

Financial assets and liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets or liabilities at fair value through the statement of comprehensive income) are added to or deducted from the fair value of the financial assets or liabilities, as appropriate, on initial recognition. Transaction costs attributable to the acquisition of financial assets or liabilities at fair value through profit or loss are recognised immediately in the statement of comprehensive income.

#### ***Financial assets***

Financial assets are generally classified into the following specified categories: financial assets 'at fair value through profit or loss (FVTPL)', 'held-to-maturity investments,

‘available-for-sale’ (AFS) financial assets and ‘loans and receivables’. Financial assets ‘at fair value through profit or loss’ has two subcategories which are determined at initial recognition:

- Designated. This includes any financial asset to be measured at fair value with fair value changes in profit or loss.
- Held for trading. The second category includes financial assets that are held for trading.

Purchases and sales of financial assets in a regular way, i.e. within timeframes established by regulation or convention in the marketplace, are recognised and de-recognised on a trade date basis.

**Effective interest method:** The Group uses the effective interest method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

**Loans and receivables:** Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans are recorded at fair value plus transaction costs when purchased. They are subsequently accounted for at amortised cost using the effective interest method.

Valuation adjustments or impairment allowances for loans and receivables are created if there is objective evidence that it will not be possible for the entire amount which is due under the original contractual arrangements to be recovered. Allowances for loans and receivables are calculated where

there is objective evidence with regard to loan defaults, the structure and quality of the loan portfolio as well as macro-economic parameters, on an individual and portfolio basis. Losses expected as a result of future events, no matter how likely, are not recognised.

**Individual loans:** The allowance is calculated as the difference between the carrying value of the asset and the present value of the expected future cash flows using the original effective interest rate. The increase in the present value of an adjusted receivable which occurs over time is shown as interest income.

**Portfolio-based allowances:** Measurement of an impairment on a portfolio basis may be applied to groups of loans that have been considered individually and on which no impairment has been identified when there is evidence of impairment in a similar group of loans and impairment cannot be identified with an individual loan in that group. These allowances are calculated on current events and information with regard to significant changes with detrimental consequences that have occurred in the market, economic or legal environment as well as historic default rates.

In assessing the need for impairment on loans and receivables, the Group takes into account the expected cash flows from the realisation of collateral.

#### **m. Trade and other receivables**

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost. Where there is objective evidence that the recoverability of an asset is at risk, appropriate allowances for any irrecoverable amounts are recognised in the statement of comprehensive income.

#### **n. Cash and cash equivalents**

Cash and cash equivalents includes cash at banks in current accounts, deposits held at call with banks and other short term investments in

an active market with original maturities of three months or less.

#### **o. Equity and share issue costs**

The equity of the Company consists of ordinary shares issued. Shares issued are recorded at the date of issuance. The par value of the issued shares is recorded in the share capital account. The excess of proceeds received over the par value is recorded in the share premium account. Direct issue costs in respect of the issue of shares are accounted for in the share premium account, as a deduction from equity, net of any related tax deduction. Direct issue costs include:

- Costs of preparing the prospectus
- Accounting, tax and legal expenses
- Underwriting fees
- Valuation fees in respect of the shares and of other assets

Costs that relate to the listing itself (e.g. stock exchange registration costs) are not directly attributable to the share issue and are expensed.

#### **p. Trade and other payables**

Trade and other payables are initially measured at fair value, subsequently measured at amortised cost.

#### **q. Net asset value (NAV)**

The IFRS NAV is calculated as the value of the Company's assets less the value of its liabilities measured in accordance with IFRS. EPRA NAV is calculated in accordance with the European Public Real Estate Association (EPRA) Best Practice Recommendations, September 2011 and its additional guidance issued in January 2014.

The EPRA net asset value per share excludes the net mark to market adjustment to the value of financial instruments which are used for hedging purposes and which the Group intends to keep to the end of their contractual duration, deferred taxation on revaluations and is calculated on a fully diluted basis.

#### **r. Operating segments**

During the period, the Group operated in and was managed as one business segment, being property investment, with all investment properties located in Ireland. There was no rental income during the period as the first property was contracted for but not settled at the period end.

#### 4. Revenue

	<b>Group Period to 31 March 2014 €'000</b>
Rental income	-
Interest income from loans and receivables	158
	<u>158</u>

The Group had no rental income from its property business for the period to 31 March 2014 as it did not acquire its first property until April 2014.

#### 5. Property outgoings

Property outgoings relate to the expenses incurred in sourcing investment property for the Group's rental business.

#### 6. Administration expenses

	<b>Group Period to 31 March 2014 €'000</b>
Directors fees	
Fees for services as directors	145
Fees for other services	-
	<u>145</u>
Depository fees	69
Registrar fees	4
Professional costs	164
Other operating expenditure	108
	<u>490</u>

## Auditor remuneration

	<b>Group</b>
	<b>Period to 31 March 2014 €'000</b>
Fees paid to the external auditor	
Audit of financial statements	30
Other assurance services	-
Tax advisory services	30
Other non-audit services	220
	<hr/> <b>280</b> <hr/>

The amount of €220,000 included in other non-audit services was paid to the auditors for services provided in relation to the share issuance at the initial public offering. This amount has been charged to the share premium account as part of the cost of share issuances (see Note 13).

There were no employees during the period.

## 7. Finance income

	<b>Group</b>
	<b>Period to 31 March 2014 €'000</b>
Interest income on cash and cash equivalents	<hr/> <b>214</b> <hr/>

## 8. Income tax expense

The Group has elected for Irish Group REIT status with effect from 11 December 2013. As a result, the Group does not pay Irish corporation tax on the profits and gains from its qualifying rental business in Ireland provided it meets certain conditions.

The Directors confirm that the Group has remained in compliance with the Irish REIT rules and regulations up to and including the date of this report.

## 9. Earnings per share

The calculation of earnings per share is based on the period from commencement to trade, 11 December 2013, to 31 March 2014 rather than the period from incorporation, 13 August 2013, to 31 March 2014 as the Directors believe that this calculation provides a more informative disclosure to the shareholders because:

- The date of commencement to trade is the same as the listing date, and
- The majority of shares were issued around this date.

There are no convertible instruments, options, warrants or ordinary shares that are issued upon the satisfaction of specified conditions as of the period end, 31 March 2014. As a result, there are no dilutive effects on earnings per share and the basic and diluted earnings per share are identical.

The calculation is based on the loss attributable to ordinary shareholders of €846,149 and a weighted average number of ordinary shares outstanding for the period of 383,558,559 shares calculated as follows.

	<b>Group Period to 31 March 2014 €'000</b>
Loss for the period attributable to the owners of the Company	<u>(846)</u>
Weighted average number of ordinary shares (basic)	
	<b>'000</b>
In issue on 11 December 2013 (date of commencement to trade)	365,000
Issued on 18 December 2013	20,000
Weighted average shares for the period	<u>383,559</u>
	<b>Cents</b>
Basic and diluted earnings per share	<b>(0.221)</b>

The European Public Real Estate Association (EPRA) best practice recommendations recommend the presentation of earnings per share based on EPRA earnings which are defined as the profit after taxation excluding investment property revaluations and gains/losses on disposals, intangible asset movements and their related taxation. EPRA earnings are a measure of the degree as to which the Group's earnings are supported by core activities. The Group intends to comply with EPRA best practice recommendations and disclose EPRA earnings per share. However, no EPRA earnings are disclosed here as the Group had not commenced its property rental business in the period to 31 March 2014.

## 10. Loans and receivables

	<b>Group 2014 €'000</b>
As at 31 March 2014	<u><b>68,563</b></u>

Loans and receivables on the Group's Statement of Financial Position at the period end were purchased as part of a portfolio acquisition on 28 February 2014. This portfolio is secured on real estate collateral.

The loans were acquired at a substantial discount to their nominal value reflecting their distressed state at the time of acquisition. All of the loans are past due. None of the loans are expected to be repaid by recourse to the original borrower, although income from the underlying collateral assets is being generated. The majority of loans were the subject of a receivership when acquired and do not pay interest. As a result of these factors, no disclosures are made in relation to maturity or age analysis or interest rate risk.

The objective in purchasing these loans was to generate returns for the Group in the following ways:

- Income will be generated from the underlying portfolio; and
- Disposal of the collateral assets over time to achieve a redemption of the loan at a value greater than the acquisition cost; or
- Acquisition of the collateral asset by the Company for inclusion in its investment portfolio subject to compliance with the Company's investment strategy

The Directors do not consider further impairment allowances are required against these loans as they expect that the loans will be resolved at least at their carrying value due to the value of the collateral on which they are secured.

The Group expects to work out these loans within a two year period.

## 11. Trade and other receivables

	<b>Group 2014 €'000</b>
Deposit paid on Investment Property	11,010
Investment Manager's fee prepaid (Note 20)	366
Interest receivable	37
Other prepayments	73
VAT refundable	<u>161</u>
As at 31 March 2014	<u><b>11,647</b></u>

The €11,010,000 on 31 March 2014 relates to deposits paid on the purchase of investment properties as follows:

	<b>Group 2014 €'000</b>
New Century House, IFSC	10,000
Gateway site, Naas Road	<u>1,010</u>
	<u><b>11,010</b></u>

There were no other contractual commitments relating to the Group at 31 March 2014.

## 12. Cash and cash equivalents

	<b>Group 2014 €'000</b>
As at 31 March 2014	<u><b>291,690</b></u>

### 13. Share capital and share premium

	<b>Group</b>		
	<b>Share capital 2014 €'000</b>	<b>Share premium 2014 €'000</b>	<b>Total 2014 €'000</b>
Shares issued during the period	38,500	346,500	385,000
Costs associated with the issue	-	(13,188)	(13,188)
As at 31 March 2014	<u>38,500</u>	<u>333,312</u>	<u>371,812</u>

#### Authorised share capital

	<b>Number '000</b>
Authorised	<u>1,000,000</u>
Allotted, called up and fully paid Issued for cash	<u>385,000</u>
In issue at 31 March	<u>385,000</u>

The Company was incorporated on 13 August 2013 as a private company limited by shares. On incorporation the issued share capital of the Company was €100 divided into 100 ordinary shares of €1 each.

On 31 October 2013 the Company subdivided the entire existing share capital into ordinary shares of €0.10 each and increased the authorised share capital to €100,000,000 divided into 1,000,000,000 ordinary shares of €0.10 each. A further 399,000 were issued at par of €0.10 bringing the total issued share capital at this date to €40,000 divided into 400,000 ordinary shares of €0.10 each.

On 8 November 2013, the Company was converted to a public limited company.

On 6 December 2013 the Company made an Initial Public Offering (IPO) and subsequently listed on the London and Irish stock exchanges. On 11 December 2013, 364,600,000 shares were issued at a listing price of €1.00, except for 100,000 shares issued to William Nowlan at €4.60 per share.

An over-allotment option was granted to the underwriter as a stabilisation measure for a period of 30 days from listing. Under this option, the underwriter was permitted to purchase, or procure purchasers for, additional ordinary shares up to a total of 20,000,000 ordinary shares (the "over-allotment shares") at the issue price, representing up to 5.49% of the ordinary shares comprised in the issue before any utilisation of the over-allotment option. On 18 December 2013 a further 20,000,000 ordinary shares were issued under this option at the issue price of €1.00 per share.

## IPO Costs

	<b>Group 2014 €'000</b>
Lead underwriter and sponsor costs	10,444
Legal costs	1,461
Regulatory fees	617
Other professional advisers	403
Accounting costs	220
Printing costs	<u>43</u>
Total	<u><b>13,188</b></u>
As a percentage of funds raised	<u><b>3.43%</b></u>

## 14. Reserves

The Group Statement of Changes in Equity is shown as a primary statement.

The nature and purpose of each reserve within equity is as follows:

	<b>Group 2014 €'000</b>
<b>Share premium</b>	<u><b>333,312</b></u>
<b>Retained earnings</b>	<u><b>(846)</b></u>

Share premium: This represents the excess of the proceeds of share issuances over their nominal value, net of issue costs.

Retained earnings: This represents the accumulated loss recognised in the Consolidated Statement of Comprehensive Income.

## 15. Trade and other payables

	<b>Group 2014 €'000</b>
Audit Fees	30
PAYE/PRSI	36
Trade payables	67
Loan acquisition costs	500
Other payables	<u>301</u>
	<u><b>934</b></u>

The payable for loan acquisition costs represents an accrual for costs in respect of the acquisition of the loan portfolio on 28 February 2014.

## 16. IFRS and EPRA net asset value per share

As at 31 March 2014 the Group had no financial derivatives, no deferred tax liability or asset and no potentially dilutive equity arrangements in place. Therefore the IFRS and EPRA NAV calculation is the same.

	<b>Group 2014 €'000</b>
IFRS net assets at 31 March 2014	<u><b>370,966</b></u>
	<b>Number '000</b>
Ordinary shares in issue at period end	<u><b>385,000</b></u>
	<b>Cents</b>
<b>IFRS NAV per share</b>	<u><b>96.35</b></u>

## 17. Dividends

There were no dividends declared or paid by the Company during the period and there are no dividends proposed by the Directors in respect of this reporting period.

## 18. Financial instruments and risk management

The Group has identified exposure to the following risks:

Market risk

Credit risk

Liquidity risk

The policies for managing each of these and the principal effects of these policies on the results for the period are summarised below:

### a) 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 loans and receivables, short term bank deposits and trade receivables. The Group currently has no financial liabilities other than trade payables which do not give rise to any significant market risk.

The loans and receivables are secured by property collateral assets, the value of which is subject to market fluctuation. The values of these collateral assets are monitored closely to ensure that the amount is sufficient to repay the loan balances outstanding.

The short term bank deposits are used to invest cash while awaiting suitable investment properties for investment. These are denominated in euro. Therefore exposure to market risk in relation to these is limited to interest rate risk. Exposure to interest rates is limited to the exposure of its earnings from uninvested funds, €291,689,829 at the period end. An interest rate movement of +/- 0.5% during the period would have increased or decreased its finance income by €439,533.

### b) Credit risk

Credit risk is the risk of loss of principal or loss of a financial reward stemming from a counterparty's failure to repay a loan or otherwise meet a contractual obligation. Credit risk is therefore, for the Group, the risk that the counterparties underlying its' assets default.

The Group's main financial assets are loans and receivables and cash and cash equivalents.

All loans held are past due and were acquired at a significant discount to the par value. The risks associated with these loans are linked directly to the value of the property collateral underlying the loans. Any decline in the value of the property collateral underlying the loans is likely to lead to impairment in the carrying value of the loans. The security underlying these loans includes a 213 unit apartment complex in Dundrum, Wyckham Point, a grade A office development in Grand Canal Docks and high quality residential units. The Directors have assessed the loans and receivables portfolio for impairment by reference to the value of the underlying collateral assets. They have determined that there is no evidence of any factors that would require them to make any allowances for impairment on this portfolio.

Cash and cash equivalents are held with major Irish and European institutions. The Board has established a cash management policy for these funds which it monitors regularly. This policy includes ratings restrictions, BB or better, and related investment thresholds, €25-50m with individual

institutions dependent on rating, to avoid concentration risks with any one counterparty. The Company has also engaged the services of a Depository to ensure the security of the cash assets.

Concentration of risk in receivables: Trade and other receivables include two deposits on investment properties totalling €11,010,000. These are held in solicitors client accounts while awaiting contract completion. Both of these contracts have completed post period end (see Note 21). The balance of trade and other receivables has no concentration of credit risk as it is made up of prepayments and tax refunds due.

The carrying amount of the financial assets excluding loans and receivables represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was therefore:

	<b>Group 2014 €'000</b>
Cash and cash equivalents	291,690
Trade and other receivables	<u>11,647</u>
<b>Total</b>	<b><u>303,337</u></b>

#### c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group ensures that it has sufficient available funds to meet obligations as they fall due. The Investment manager is responsible for this activity and the Board monitors its performance.

Net current assets at the period end were:

	<b>Group 2014 €'000</b>
Net current assets	<u>302,403</u>

All financial liabilities for the Group fall due within one year.

#### d) Capital management

The Group manages capital in order to ensure its continuance as a going concern.

As the Group grows it is planned to finance up to 40% of the market value of the Group's assets out of borrowings in order to enhance the return on equity for its shareholders. This percentage may increase to 50% under the REIT regime and so the Group may modify this leverage from time to time taking into account current prevailing economic and market conditions. This leverage ratio will be

monitored in the regular financial reporting and prior to entering into any borrowing arrangements in order to ensure this policy is maintained.

Capital comprises share capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity. At 31 March 2014 the capital of the Group was €370,965,870.

There are no external capital requirements on the Group.

Under the Irish REIT regime, the Group must distribute at least 85% of its property income by way of a Property Income Distribution (“PID”). Therefore, capital available for business growth will not be augmented by dividend policy. To grow the business, the Group must therefore consider the need to seek further capital in the market given both the inability to grow reserves and the restriction on its borrowings as a source of increasing its portfolio size as discussed above.

The Company’s share capital is publicly traded on the London and Irish stock exchanges. In order to ensure the proper management of the share register, the Group employs the services of a share registrar, Capita Registrars (Ireland) Limited t/a Capita Asset Services.

e) Fair values of financial assets and financial liabilities

Fair value is 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.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: valuation techniques for which the lowest level of inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: valuation techniques for which the lowest level of inputs that have a significant effect on the recorded fair value are not based on observable market data

The Directors have determined that the carrying value of loans and receivables approximates their fair value, based on their assessment of the value of the underlying collateral. The carrying value of non-interest bearing financial assets and financial liabilities and cash and cash equivalents approximates their fair values, largely due to their short-term maturities.

As at 31 March 2014, the Group had no financial assets or liabilities which were carried at fair value.

However, the following tables present the classification of financial assets and liabilities within the fair value hierarchy and the changes in fair values measurements at Level 3 estimated for the purposes of making the above disclosure:

**Fair value hierarchy**

	2014 Carrying value €'000	2014		
		Level 1 €'000	Level 2 €'000	Level 3 €'000
<b>Group</b>				
<b>Financial assets</b>				
Loans and receivables	68,563	-	-	68,563
Trade and other receivables	11,647	-	11,647	-
	<b>80,210</b>	<b>-</b>	<b>11,647</b>	<b>68,563</b>
<b>Financial liabilities</b>				
Trade and other payables	934	-	934	-
	<b>934</b>	<b>-</b>	<b>934</b>	<b>-</b>

**Fair value movements at level 3****Group**

	Loans and receivables €'000
Transfers into level 3	-
Transfers out of level 3	-
<i>Purchases, sales, issues and settlement</i>	
Purchases	68,405
Amortisation	158
<b>Balance at 31 March 2014</b>	<b>68,563</b>

The Investment Manager is responsible for performing the valuation of fair value measurements included in the Preliminary Results Announcement, including Level 3 fair values. The Directors review and approve the valuations as part of their review of the financial statements. The Group's policy is to recognise transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstance that caused the transfer.

## 19. Investment in subsidiary undertakings

The Company holds 10 ordinary shares of €1 each representing the entire issued share capital in the company listed below on 31 March 2014.

Entity	Country of incorporation/ Registered office	Incorporation date	Nature of business
Hibernia REIT Finance Limited	Ireland, Marine House, Clanwilliam Place, Dublin 2	19 February 2014	Financing activities

## 20. Related parties

### *Subsidiaries*

The Company transacts with its subsidiary and has provided the funding for its acquisition of a loans portfolio which now forms part of the Group's assets. The Company has provided a loan of €68,416,000 to Hibernia REIT Finance Limited to fund its activities. Transactions between the Company and its subsidiary have been eliminated on consolidation.

### *Investment Manager*

The Company, pursuant to the Investment Management Agreement entered into on 27 November 2013, is managed by WK Nowlan REIT Management Limited ("The Investment Manager"). WK Nowlan REIT Management Limited is wholly owned and controlled by Nowlan Property Limited, trading as WK Nowlan Property, and Mr Frank Kenny. At 31 March 2014, the Directors of the Investment Manager and its owners held an aggregate of 1,600,000 shares in the Company.

Through the Investment Management Agreement, the Company has access to the asset management operation of Nowlan Property Limited trading as WK Nowlan Property.

The Investment Management Agreement governs the provision of investment management and related services to the Company by the Investment Manager. It has an initial term of five years and will automatically continue for three consecutive year periods, unless terminated by the Company or the Investment Manager.

## Investment Manager's fees

The base fee for each quarter is calculated by reference to following table. The fee is based on the EPRA Net Asset Value (NAV) and is the sum of the following amounts:

EPRA NAV:		
From	To	%
€'000,000	€'000,000	
0	<=450	0.250
>450	<=600	0.200
>600		0.150
Uninvested net proceeds		0.125

The base fee is payable quarterly in arrears except for the fee for the periods 31 March 2014 and 30 June 2014 which were paid in advance to provide funds for the costs of initial due diligence and deal costs.

Management fees of €1,034,499 were paid by the Company to the Investment Manager during the period ended 31 March 2014, of which €365,795 was prepaid at the Consolidated Statement of Financial position date and is included within trade and other receivables. Fees of €78,260 were paid to WK Nowlan Property by the Company during the period for the services of its employees in relation to the IPO.

A performance fee is also paid to the Investment Manager and is calculated 50% by reference to the return to the shareholders measured by the dividend and increase in NAV and 50% by reference to outperformance of the Reference Index, the SCSI/IPD Ireland Quarterly Property Index – All Property.

No performance fees or “out of pocket” expenses were paid during the period.

### ***Key Management Personnel***

The Non-Executive Directors are the only key management personnel of the Group. The emoluments of the directors are summarised directly below. The management functions are delegated to the Investment Manager. Details on the basis and amount of the Investment Management Fee paid to the Investment Manager during the period are disclosed above.

## Directors' Remuneration

	<b>Group</b>
	<b>Period to 31 March</b>
	<b>2014</b>
	<b>€'000</b>
Short term benefits	145
Post-employment benefits	-
Share-based payment	-
Other long-term benefits	-
Termination benefits	-
<b>Period to 31 March 2014</b>	<b>145</b>

## 21. Subsequent events

On 29 April 2014, the Group completed the acquisition of New Century House, International Financial Services Centre, Dublin 1, Ireland for €47,631,249 including the costs of acquisition.

On 7 May 2014, the Group completed the acquisition of the Gateway site, Newlands Cross, Naas Road, Dublin 22 for €10,302,880 including the costs of acquisition.

On 16 May 2014, the Group announced the acquisition of Montague House and Hardwicke House, two office buildings in Dublin 2 in a partially deferred off market transaction of €60m excluding the costs of acquisition.

On 19<sup>th</sup> May 2014, the Group exchanged contracts to acquire the Chancery Building and the Chancery Apartments in Dublin 8 for €16m excluding the costs of acquisition in an off-market loan purchase transaction.

## 22. Approval of financial statements

The financial statements were approved by the Board of Directors for issue on 19 May 2014.