Sirius
facilities

Sirius Real Estate Limited
Annual Report and Accounts 2015

We are the largest branded provider of mixed-use flexible workspace in Germany

Sirius Real Estate Limited is a real estate company with a portfolio of 33 business parks across Germany, providing a combination of conventional and modern, flexible workspace.

> "In a successful period of new acquisitions, capital raising and organic growth, Sirius is pleased to report a strong twelve months of trading."

Andrew Coombs and Alistair Marks
Chief Executive Officer and Chief Financial Officer

2015 HIGHLIGHTS

€43.6m
↑ 5.6%
GROSS ANNUALISED RENT ROLL

15	43.6
14	41.3

€11.8m
↑ 25.5%
RECURRING PROFIT BEFORE TAX*

15	11.8
14	9.4

€14.3m
↑ 27.7%
FUNDS FROM OPERATIONS**

15	14.3
14	11.2

€4.58psm
↑ 2.7%
AVERAGE RATE PER SQM

15	4.58
14	4.46

47.51c
↑ 10.5%
ADJUSTED NET ASSET VALUE***

15	47.51
14	43.00

€473.8m^
↑ 6.4%
PRE-ACQUISITIONS PORTFOLIO

15	473.8
14	445.5

46.8%
↓ 4.1%
LOAN TO VALUE

15	46.8
14	50.9

119,992sqm
↑ 5.5%
NEW LETTINGS

15	119,992
14	113,784

78%
↑ 2%
OCCUPANCY

15	78
14	76

> For more information, please visit **www.siriusrealestate.com**

Dividends

The Group re-introduced dividend payments with the objective of paying out 65% of Funds From Operations ("FFO"). The Company paid an interim dividend of 0.3c per share in August 2014 (relating to the prior year) and 0.77c per share in December 2014 and is declaring a final dividend for the year of 0.84c per share to be paid on 10 July 2015.

Secondary listing

On 5 December 2014, the Company completed a dual listing on the Alternative Exchange ("AltX") of the Johannesburg Stock Exchange ("JSE") and was the first ever company to do so under the newly introduced fast track listing process.

* Excluding surrender premium acquisitions and disposals.

** Recurring earnings after tax and before property revaluation, change in fair value of derivative financial instruments, depreciation, amortisation of debt arrangement fees, non-recurring costs and other non-cash items.

*** Excluding provisions for deferred tax and financial derivatives and after adjusting for the net asset value dilution resulting from the capital raise in December 2014.

^ Adjusted for disposals.

Our Portfolio

Our Acquisitions

We invest in large mixed-use commercial real estate assets in Germany which can be sub-divided into flexible workspaces, offering a range of high quality managed properties.

1

BONN SIEMENSTRASSE

14 TENANTS	€566,923 ANNUAL INCOME
10,774sqm LETTABLE SPACE	2,536sqm VACANT SPACE
76.5% OCCUPANCY	€5.73 RATE PER SQM

2

AACHEN

13 TENANTS	€1,730,022 ANNUAL INCOME
24,773sqm LETTABLE SPACE	6,390sqm VACANT SPACE
74.2% OCCUPANCY	€7.84 RATE PER SQM

3

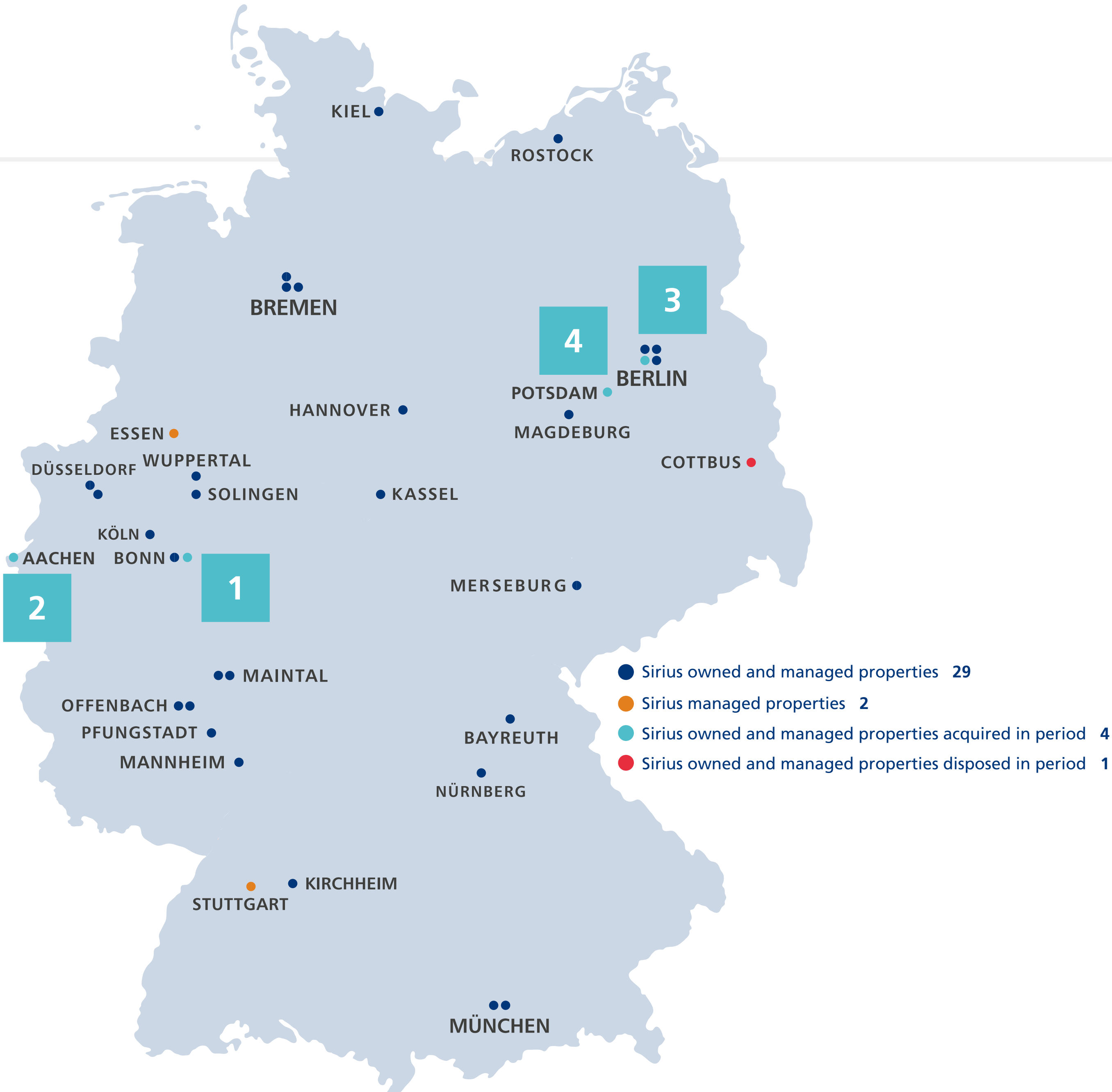
BERLIN MAHLSDORF

38 TENANTS	€1,799,498 ANNUAL INCOME
29,970sqm LETTABLE SPACE	4,545sqm VACANT SPACE
84.8% OCCUPANCY	€5.90 RATE PER SQM

4

POTSDAM

87 TENANTS	€2,273,055 ANNUAL INCOME
36,529sqm LETTABLE SPACE	6,033sqm VACANT SPACE
83.5% OCCUPANCY	€6.21 RATE PER SQM



Admission to Johannesburg Stock Exchange

> On behalf of the Board I am delighted to confirm the Company is now listed on the JSE and is the first to have been fast tracked through the listing process. South African investors now represent nearly half of our investor base and we feel that Sirius is truly dual listed.

Andrew Coombs
Chief Executive Officer

On 5 December 2014, the Company completed a dual listing on the AltX of the JSE and was the first ever Company to do so under the newly introduced fast track listing process.

The JSE listing further diversifies the Company's shareholder base, providing existing and new South African investors with an opportunity to participate in the Company's income and value generation potential.

Another successful year

In summary:

» We have again seen significant improvement to the Group's pre-tax profitability, adjusted net asset value per share and market capitalisation this year

» The value of our property portfolio has grown to €550.0 million as at 31 March 2015

» Sirius has completed the refinancing of all banking facilities

Introduction

The Group is pleased to announce the results for the year ended 31 March 2015. We have again seen significant improvement to the Group's pre-tax profitability, adjusted net asset value per share and market capitalisation this year, leading to Sirius not only being included in the FTSE AIM 100 Index for the first time but, at the time of this report, ranking 38th in that table.

On 5 December 2014, Sirius completed its secondary listing on the JSE and, at the same time, successfully raised €40 million to support the expansion of its portfolio through the acquisition of four business parks for €70.9 million. These assets were purchased with an European Public Real Estate Association ("EPRA") net initial yield of 8.1% and three of them have been financed with a five year €36 million bank facility with a 2.85% fixed interest rate. With an initial yield spread of greater than 5.2% and plenty of value-added opportunities within the sites, these acquisitions are expected to be very accretive to earnings going forward, initially delivering a cash-on-cash yield of 12.9%. The JSE listing also further diversifies the Company's shareholder base, providing existing and new South African investors with an opportunity to participate in the Company's income and value generation potential. This increased liquidity and tradeability of the Company's shares will further help Sirius grow in the future.

The intensive capex investment programme aimed at delivering organic growth has seen some encouraging results in the period. The programme commenced in January 2014 and is focused on around 100,000 sqm of previously unlettable or under-rented space that was either vacant or significantly under-rented at the time the initiative commenced. The space targeted represented approximately 50% of the vacant space of the core portfolio. As at 31 March 2015, we have fully transformed 37,860 sqm of this space, of which 74% is let and is already contributing €1.96 million of rental income to the Group.

The value of our property portfolio has grown to €550.0 million as at 31 March 2015 (31 March 2014: €445.5 million*), with €76.2 million of the increase attributable to the acquisitions (cost plus revaluation) and €28.3 million coming from revaluation uplift on the pre-acquisitions portfolio. The uplift on the latter is largely due to rental growth and improvement in service charge irrecoverability and we have as yet only seen a small amount of yield compression. We report a €5.3 million revaluation uplift on the recently acquired properties, which is a direct result of our ability to find properties to acquire at a discount to valuation. We are confident that there is potential for further uplifts on the total portfolio in the coming years from our asset management initiatives, especially as a result of our ongoing capex investment programme.

* Adjusted for disposals.

Financial results

The Company has seen further improvement in profitability in the period; recurring profit before tax* including acquisitions was €12.6 million and excluding the impact of acquisitions was €11.8 million (2014: €9.4 million^).

As the acquisitions were completed near the end of the financial year, the contribution to these results is limited, but they will materially increase earnings in the coming financial year. The improvement from the pre-acquisitions portfolio has largely come from increased rental income from our organic growth initiatives, as well as some further improvement from our recovery of service charge costs. Total income on the entire portfolio was €45.4 million of which €43.9 million was derived from the pre-acquisitions portfolio (2014: €42.8 million^), and profit before tax for the period was €32.7 million (2014: €31.0 million), which includes the property revaluations. Annualised gross rent roll of the 33 business parks increased by 21% to €50.0 million (31 March 2014: €41.3 million) in the twelve month period, of which €6.4 million (15.4%) has come from the addition of the four acquisitions and €2.3 million (5.6%) has come from organic growth of the pre-acquisitions portfolio.

Funds From Operations** FFO increased to €14.3 million (2014: €11.2 million) and FFO per share was 2.6c*** (2014: 2.8c). Adjusted EPS* was 2.10c as at 31 March 2015 (31 March 2014: 2.26c^), whilst EPS was 4.84c (31 March 2014: 6.83c^).

* Excludes property revaluation, related deferred tax, non-controlling interests, profits on disposals, change in fair value of derivative financial instruments and non-recurring items.

** See note 25 to the financial statements for explanation.

^ Adjusted for surrender premium and disposals to get a like-for-like comparison.

*** Based on average number of shares in issue throughout the period. This is lower than the prior year owing to more shares in issue through equity raises and acquisitions only completing towards the end of the year. DPS is calculated on actual shares in issue and not average shares in issue.

47.51
↑ 7.2%
ADJUSTED NAV, PER SHARE*

1.61c
TOTAL DIVIDEND FOR THE YEAR

4.4 years
AVERAGE UNEXPIRED LOAN TERM

Portfolio valuation and net asset value

The pre-acquisitions portfolio was independently valued at €473.8 million by Cushman & Wakefield LLP (31 March 2014: €445.8 million*) whilst the total portfolio including acquisitions was valued at €550.0 million. This translates to a book value of €545.6 million as follows:

	2015 €million	2014 €million
Investment properties at market value	**550.0**	448.7
Adjustment in respect of lease incentives	**(2.0)**	(2.0)
Specific value impairments	**(2.4)**	(3.0)
Reclassified as investment properties held for sale	**—**	(2.6)
Book value as at year end	**545.6**	441.1

* Adjusted for disposals.

The adjusted net asset value ("Adjusted NAV") per share, which excludes the provisions for deferred tax and derivative financial instruments, was 47.5c as at 31 March 2015. This reflects an increase of 10.5% over the 44.32c Adjusted NAV per share on 31 March 2014 excluding the dilutive impact of the December 2014 capital raising. The total NAV return, including dividends paid in the period, was 13.0%. The movement in Adjusted NAV this year can be seen in the following table:

	2015 €000	2015 per share	2014 €000	2014 per share
Adjusted NAV, beginning of period*	**229,976**	**44.32**	153,845	48.44
Share issues – December 2014 capital raising	**38,324**	**(1.33)**	45,438	(9.76)
Share issues – scrip dividends	**—**	**(0.32)**	—	—
Share issues – management incentives	**506**	**(0.02)**	903	(0.10)
Cash dividends	**(3,871)**	**(0.62)**	—	—
Recurring profit before tax	**12,545**	**1.99**	11,349	2.19
Surplus on revaluation	**25,425**	**4.03**	22,735	4.38
Other non-recurring items**	**(3,412)**	**(0.54)**	(4,294)	(0.83)
Adjusted NAV, end of period*	**299,493**	**47.51**	229,976	44.32

* Adjusted for deferred taxes and change in value of derivative financial instruments.

** Including shares to be issued as part of the LTIP and costs associated with the tax migration of Sirius Real Estate from Guernsey to the UK.

Portfolio valuation and net asset value continued

The revaluation uplift on the pre-acquisitions portfolio as at 31 March 2015 was €28 million, representing a 6.4% increase in the twelve month period. The revaluation uplift on the acquisition portfolio of €5.3 million (€9.5 million offset with €4.2 million of acquisition costs) represents a 7.5% increase on what was paid for the assets. This is now the fourth valuation in succession where values have increased and, once again, most of the increases are due to rental income improvements rather than yield compression. The €33.6 million total valuation uplift translates to a €25.4 million gain in our books as shown in the table below and is driven largely from the returns experienced from the deployment of €3.1 million of our capex investment programme, our ability to purchase assets at discounted prices, as well as achieving further improvements in rent roll and service charge recovery during the period through properties and other asset management initiatives.

	€million
Valuation increase as at 31 March 2015	33.6
Less capex	(8.6)
Changes to valuation impairments	0.5
Lease incentives	(0.1)
Revaluation profit at 31 March 2015	**25.4**

The core portfolio, which now comprises 29 of the 33 assets, is valued at €515.1 million, representing an average gross yield of 8.9% (31 March 2014: 9.2%) and a net yield of 8.2% (2014: 8.3%). The average capital value per sqm is €547.10 (31 March 2014: €479.10), which remains significantly below replacement cost.

Dividend

In September 2014, the Board resolved to increase the dividend payable to shareholders, due to stronger cash generation from operations as a result of the capex investment programme and growth in rental income. The dividend policy was enhanced to 65% of FFO, rather than the previously announced policy that referred to recurring profit after tax.

I am therefore pleased to confirm the Board has declared a final dividend of 0.84c per share making a total dividend for the year of 1.61c per share. The ex-dividend date will be 8 June 2015 for shareholders on the JSE register and 11 June 2015 for shareholders on the LSE register. The record date will be 12 June 2015 and the dividend will be paid on 10 July 2015.

Sirius continues to offer shareholders the ability to receive dividends in scrip rather than as a cash alternative, for which there was a 29% scrip take-up on the dividend paid on 31 December 2014. Details of the scrip offer for the final dividend will be mailed to shareholders shortly. The latest date the scrip election form can be accepted is expected to be 26 June 2015.

Funding

Sirius has completed the refinancing of all banking facilities and the Group has now secured borrowings of €255.3 million with four different lenders, representing an LTV ratio of 46.8% based on book value.

As previously announced it is the Board's intention to reduce the LTV ratio to 40% in the near term through a combination of debt amortisation as well as further improved valuations driven by our capex investment programme and other asset management initiatives. The bank debt expiry dates on the four outstanding facilities range between January 2017 and July 2023 with an average unexpired term of 4.4 years. The first facilities due for renewal are the two Macquarie facilities, repayable in January 2017. These two facilities, with €56 million outstanding, bear interest at a blended rate of approximately 7% and are subject to a full cash sweep. Refinancing these two facilities at the currently available rates would result in a significant improvement to the Group's profitability and cash flow and the Board is currently in discussions with a number of financial institutions on this.

German SME market

Market conditions in the German economy continue to improve and we believe that the SME sector in particular is in a strong position when compared to the previous twelve months. Gross domestic product, capital investment and exports have all increased in the three months from December 2014. The weaker euro exchange rate continues to lift German exports and, with the oil price declining, energy costs have fallen sharply. This has provided a significant boost to the German SME sector, which is a key market from which Sirius attracts its tenant base, particularly for our higher end SmartSpace products.

The European Central Bank recently launched an outright quantitative easing programme to stave off deflation, keep interest rates low and weaken the euro. As a consequence long-term Eurozone government bond yields, a proxy for the cost of capital, have declined significantly. Small to medium-sized German businesses now have more access to cheaper capital and so are more inclined to invest in expanding their businesses; Sirius offering of good quality, good value flexible workspace is proving to be very attractive.

Outlook

The Company continues to trade in line with expectations, and with the SME market in Germany continuing to improve, we are confident that demand for conventional and flexible workspace will remain strong across our core sites.

The capex investment programme, targeting 50% of our vacant space, is now nearing 40% completion and we are already seeing excellent rental returns from the previously unlettable or under-rented areas that have now been transformed. This, together with the recently acquired earnings enhancing sites, should impact positively on rental income, earnings and dividends going forward.

Sinclair

Robert Sinclair
Chairman

A year of great profit

In summary:

- The Sirius business model remains very much focused on organic growth and we will continue to leverage our operating platform and the experience of our management team as we scale up our portfolio.
- Strong market conditions mean that demand for our flexible and conventional workspace from the German SME market continues to be high.
- The capex investment programme continues to be a strong driver of rental income growth.

Introduction

In a successful period of new acquisitions, capital raising and organic growth, Sirius is pleased to report a strong twelve months of trading. The Group continues to measure its success in asset management through total returns generated by both increased income returns and improvement in capital returns. In this financial year, Sirius saw its recurring profit before tax increase by 26% on a like-for-like basis of the pre-acquisitions portfolio, driven largely by increased rental income across the board. Adjusted NAV per share has also seen a like-for-like increase of 10.5% during the year, after adjusting for the December 2014 equity raise and is now 47.5c as at 31 March 2015. Total NAV return, including dividends paid, was 13.0%. Whilst this is a positive movement, we believe there remains further scope to improve the value of the Group's portfolio of assets through the Group's investment and asset management initiatives. This has been a significant contributor to the Group trading at a stronger share price, but the shares also appear to be benefiting from greater liquidity through the dual listing in Johannesburg as well as it now being one of the largest companies on AIM.

During the twelve months, Sirius has increased the portfolio from 30 business parks to 33 (29 of which are deemed to be core assets). The four acquisitions in the period have all been earnings enhancing and the intensive capex investment programme, aimed at transforming previously unlettable or under-rented space, is showing a positive return. The Sirius business model remains very much focused on organic growth and we will continue to leverage our operating platform and the experience of our management team as we scale up our portfolio. Ultimately, by having a relatively fixed overhead cost base spread over a larger estate, we are well positioned to harvest the economic benefits that a larger scale brings to the business.

Whilst we have increased our flexible products such as SmartSpace (Office, Storage and Workbox) and Flexilager, which offer higher yields than conventional lets, our core anchor tenant base remains strong, with our top 50 tenants generating 54% of the rent roll.

Operations

Strong market conditions mean that demand for our flexible and conventional workspace from the German SME market continues to be high. In particular, SmartSpace is progressing well with high demand for our SmartSpace Office and SmartSpace Storage products in our core locations. Whilst the returns from offering flexibility in the SmartSpace product range are particularly good at the moment, the Group continues to recognise the benefit of having a stable base with strong covenanted blue-chip anchor tenants, as well as mid-term conventional SME tenants. This asset management focus is as much directed towards strengthening the quality and security of this core income stream as it is on the higher yielding flexible income stream.

The diversity of our tenant base ensures that we can maximise the yield whilst preserving the covenant quality within each park, so that our assets will always remain attractive from both an investment and a financing perspective. The table below illustrates the current tenant mix across the entire portfolio including the new acquisitions:

	No. of tenants	Occupied sqm	Monthly rent	Annual rent	Percentage	Rate per sqm
Top 50 tenants	50	479,273	2,270,439	27,245,273	54%	4.74
SmartSpace tenants	1,199	41,194	252,297	3,027,567	7%	6.12
Other tenants	1,730	356,641	1,644,008	19,728,100	39%	4.61
Total	**2,979**	**877,108**	**4,166,744**	**50,000,940**	**100%**	**4.75**

> *continued*

> We believe that as asset managers of multi-tenant, mixed-use workspace across Germany we have created a substantial operating platform that has enabled us to increase profitability and open up the debt markets.

Operations continued

Our SmartSpace product range across the entire portfolio currently represents 75,663 sqm or 6.8% of the total lettable space of the portfolio and we would expect our capex investment programme to increase that to around 8% or more in the next twelve months. With rental rates of more than €10 per sqm being achieved on the latest SmartSpace office and storage products in our key locations, we are encouraged that this product range will continue to grow, especially given the locations of our recent acquisitions. The capex investment programme is also directed at converting our cheaper, lower-quality Flexilager product into both the higher-quality SmartSpace storage product or, in some instances, back to higher-quality conventional space. The demand and level of rental rates being achieved on these products continues to improve and the price point that we are achieving for newly created SmartSpace is now up to three times that achieved by the pre-conversion usage. This is being achieved despite our products often being priced at half that of our main competitors.

	Total sqm	Occupied sqm	Occupancy (%)	Annual rent (ex s/charge)	% Total annual rent	Rate (ex s/charge)
SMSP Office	21,188	16,123	76%	1,468,219	48%	7.59
SMSP Workbox	4,828	4,047	84%	272,706	9%	5.57
SMSP Storage	16,760	10,186	61%	634,882	21%	5.19
Flexilager	32,887	10,838	33%	651,761	22%	5.01
SMSP Total	**75,663**	**41,194**	**54%**	**3,027,568**	**100%**	**6.12**

Capex investment programme

The capex investment programme continues to be a strong driver of rental income growth, aimed at transforming approximately 100,000 sqm of previously unlettable or under-rented space over a three year period through both a major projects and a light investment programme. As of 31 March 2015, 15 months after the commencement of the initiative, €3.1 million of the total €8.9 million budget has been invested, transforming 37,860 sqm of space, which is already generating €1.96 million of rental income on an occupancy of 74%. Sirius has also successfully transformed this space under budget with the investment on this space coming in lower than expected. The progress of the major projects element of this initiative can be seen in the table below:

	Area	Investment		Rental increase					
	Sqm	€		€		Occupancy		Rate	
Status		Budget	Actual	Budget	Achieved to date	Budget	Achieved to date	Budget	Achieved to date
Completed	37,860	3,754,000	3,120,764	2,096,785	1,962,116	80%	74%	5.77	5.82
In progress	10,870	1,895,500	537,969	575,611	0	80%	0	5.52	0
Not yet commenced	22,067	2,387,549	0	1,072,274	0	80%	0	5.06	0
Total	**70,797**	**8,037,049**	**3,658,733**	**3,744,670**	**1,962,116**	**80%**	**40%**	**5.51**	**5.82**

Once the full capex investment programme is completed, the Group expects that space with an estimated rental value of €5.5 million will have been created and, with an occupancy rate of 80%, should contribute close to €4.0 million towards the Group's total rental income. Considering the recurring profit level of the Group at the time this commenced, this initiative represents a material improvement in the Group's profitability over the programme's life. As the programme is focused on converting previously unusable or under-rented space, which has limited value attributed to it in the property valuations, this investment is also expected to have a positive impact on the value of the portfolio.

Disposals

Our objective is to fund our capex investment programme, as far as possible, with the disposal of non-income producing land as well as cash flow from operations. In the twelve month period, the Group disposed of 34,800 sqm of non-income producing land across sites in Bremen, Bonn and Berlin, generating proceeds of €4.55 million. Going forward we have identified four non-core (two of which are unencumbered) low-income producing business parks and a further 105,000 sqm of surplus land as potentially available for disposal. As these assets generate little profit, have low or no occupancy, and are conservatively valued on our balance sheet, recycling the capital from these disposals would both streamline the portfolio whilst providing funds that can be invested with much higher rates of return.

Acquisitions

During the period, Sirius completed the acquisition of four multi-let business parks for a total consideration of €70.9 million. Located in and around Berlin, our Mahlsdorf and Potsdam assets, with a total lettable area of 65,444 sqm, were the first two sites acquired in December 2014, adding further presence in a core market for Sirius where demand for both conventional and flexible workspace solutions is high. Acquired for a total consideration of €49.1 million, these sites will initially contribute €4.1 million to the business in annualised rental income on an occupancy of 85% and €3.8 million in net operating income.

In February 2015, the Group acquired two further sites in Aachen and Bonn with a total lettable area of 35,153 sqm for a total consideration of €21.8 million. These sites provide an initial annualised rental income of €2.3 million on an occupancy of 76% and €2.0 million of net operating income.

The four acquisitions were funded by the net proceeds from the Company's €40 million private placement in December along with a drawdown from the new €36 million five year debt facility with BerlinHyp. This facility is secured over three of the four assets and bears interest at a fixed rate of 2.85% per annum. These assets were acquired on an EPRA net initial yield of 8.1%, with opportunities to drive further returns from the vacant space.

With demand for available space seen so far being encouraging, these acquisitions provided immediate improvement in profitability, a sustainable and growing income stream and ample opportunity to generate high long-term total returns.

New lettings and move-outs

In the twelve month period, there were new lettings of 119,992 sqm at an average rate of €5.02 per sqm and move-outs of 93,087 sqm at an average rate of €4.18 per sqm. For the year ended 31 March 2014 we reported new lettings of 113,784 sqm at an average rate of €5.16 per sqm and move-outs of 112,956 sqm at an average rate of €4.42 per sqm. This further occupational improvement has contributed to the pre-acquisitions portfolio occupancy increasing to 78% (2014: 76%) and rate per sqm increasing to €4.58 (2014: €4.46). We are continuing to see new lettings at a higher rate per sqm than the portfolio average and the rate of existing tenants. This can be partly attributed to having more SmartSpace available through the capex investment programme but it is also indicative of the strength of the market we operate in. Given the breadth of our tenant base we will always have move-outs in the portfolio but we are confident that the strength of our sales and marketing platform will once again result in move-ins exceeding move-outs in the next financial year.

Operational efficiencies

Our level of service charge recovery continues to be above industry standards and we have made further progress this financial year. Most aspects of the service charge recovery area are controlled by our employees and the systems that we have developed, which is why we are able to contract and allocate service charge costs in a more detailed and sophisticated way than our competitors. This, combined with using our consolidated purchasing power, means we are able to provide a cost efficient and transparent service to our tenants which they are beginning to really appreciate.

What this has meant to Sirius is an unprecedented level of cost recovery, which has been one of the main profit drivers for the Group over the last few years.

Portfolio analysis

The table below shows the key details of the core portfolio of 29 assets and the four assets that are for sale. The core portfolio is currently valued on a gross yield of 8.9% and a capital value of €547.1 per sqm.

Outlook and the years ahead

We would like to thank the management team and all the staff for their tremendous work this year. We have secured four excellent new sites to add to our portfolio and we are confident that the management team has the experience to fully capitalise on the opportunities available. We will continue to explore further opportunities to increase the value of the existing estate, recycle non-core and mature assets and improve the Group's financing terms and expand our sources of lending. The capex investment programme continues to generate strong returns on investment, largely due to the effectiveness of our asset management activities, and we are hopeful to see further increases in our rent roll, occupancy and capital value of the portfolio over the years to come.

Andrew Coombs
Chief Executive Officer

Portfolio analysis

	Book value	Rent roll	Net operating income	Total sqm	Occupancy	Rate per sqm
Core assets	€513.2m	€45.7m	€42.1m	0.9m	84.5%	€5.00
Non-core assets for disposal*	€32.4m	€4.3m	€2.4m	0.2m	54.1%	€3.10
Other			(€1.8m)			
Total	**€545.6m**	**€50.0m**	**€42.7m**	**1.1m**	**78.6 %**	**€4.75**

* Included in investment properties on the balance sheet, as the assets do not yet meet the accounting criteria for classification as "held for sale".

Our Capex Investment programme

The Company has continued to implement its intensive capex investment programme commenced in January 2014 to transform approximately 100,000 sqm of previously unlettable or under-rented space.

As at 31 March 2015, €3.1 million of the forecasted €8.9 million has been invested, transforming 37,860 sqm of space which is already generating €1.96 million of rental income on an occupancy of 74%.

37,860sqm
TRANSFORMED

Examples:

Sirius Business Park Berlin Gartenfeld

Conversion of the previous single tenant's space into a range of space types including a Centre Management office, conventional office and industrial space. SmartSpace Storage, SmartSpace Workbox and Flexilager.

3,775 TOTAL SQM	€317,625 CAPEX
€291,319 RENTAL INCOME P.A	€135,788 SC IRREC IMPROVEMENT P.A
€427,107 TOTAL CONTRIBUTION P.A	134% ROI

AFTER

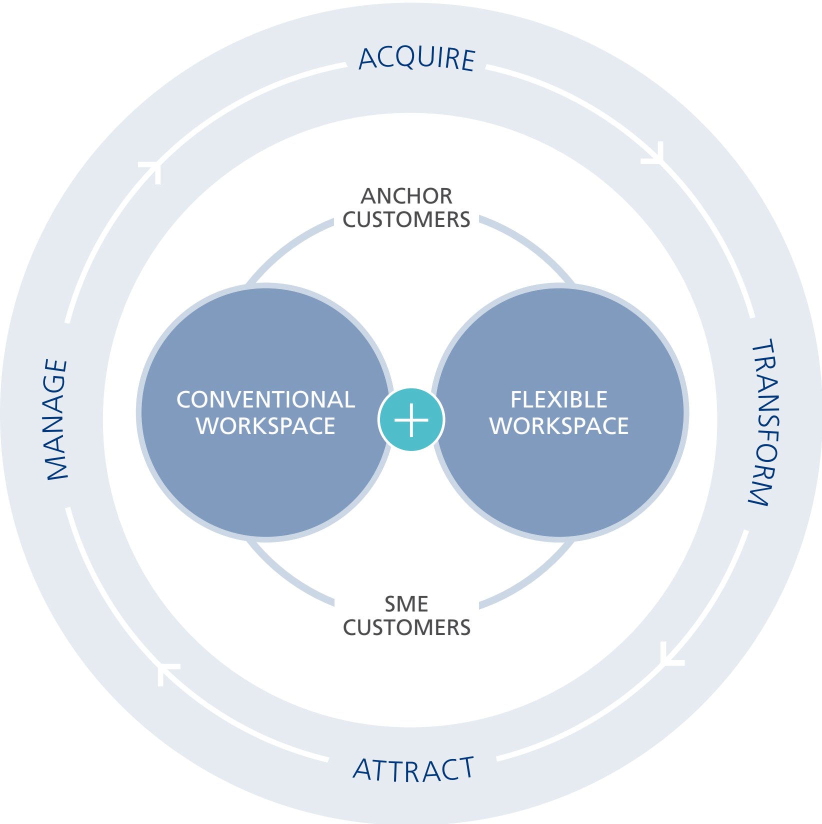
Sirius Business Park Hannover

Conversion of covered parking area into SmartSpace Storage.


AFTER

1,517 TOTAL SQM	€29,871 CAPEX
€26,250 RENTAL INCOME P.A	€12,743 SC IRREC IMPROVEMENT P.A
€38,993 TOTAL CONTRIBUTION P.A	131% ROI

Our business model



Adding value throughout the cycle

Acquire
We seek out under-utilised multi-tenant, mixed-use properties we can transform into high-yield workspaces.

Transform
We convert properties into improved, efficient, higher yielding, flexible workspaces. Additionally our active ongoing programme reconfigures and upgrades existing spaces.

Attract
All of our sites are marketed centrally through a sophisticated internal sales and lettings function.

Manage
We seek to maximise the value of our assets with an active and ongoing asset management programme with the majority of responsibilities performed internally.

Our strategy

We are focused on increasing the value of our portfolio through:

1 Organic Growth
- Extensive capex programme to generate around 40% ROI
- Further conversion to Sirius high yielding products
- Continued development of innovative new product solutions
- Further rental growth from existing tenants and churn
- Further improvements in service charge irrecoverables
- Increasing occupancy levels

2 Property Acquisitions
- Initial geared cash on attractive cash yields
- Further value-adding potential
- Acquisition of operating and management agreements of non-Sirius properties

3 Disposal
- Asset disposal of non-core properties
- Development and disposal of land

Board of Directors

Introduction to the Board

The Company has an experienced Board of two Executive Directors and four Non-executive Directors, chaired by Robert Sinclair.

Dear shareholder,

This has been another excellent year for the business.

The successful capital raise which facilitated the acquisition of four business parks in excellent locations in Germany, was accompanied by a successful secondary listing on the Johannesburg Stock Exchange, further diversifying our shareholder base. In addition, the capex investment programme that we introduced in 2014 continues to show a high return on investment. This programme, the acquisitions and other asset management initiatives have contributed to a significant improvement in our annualised rental income, earnings and adjusted net asset value per share.

Robert Sinclair
Chairman

1. Andrew Coombs
Chief Executive Officer (50)

Andrew Coombs joined the Sirius Facilities Group in January 2010. Prior to joining Sirius, Andrew worked for the Regus Group as UK sales director and before that as director and general manager for MWB Business Exchange Plc. Prior to working in the property sector, Andrew held a number of general management roles. Andrew's responsibilities to Sirius Real Estate include formulating and agreeing the strategy for delivering shareholder value. He is also responsible for running Sirius Facilities GmbH together with the group of other operating companies owned by Sirius in Germany and it is through these operating companies that the strategy is ultimately executed.

2. Alistair Marks
Chief Financial Officer (46)

Alistair Marks is a Chartered Accountant who qualified with BDO in Australia in 1997. Alistair joined the Sirius Facilities Group in early 2007 from MWB Business Exchange Plc, where he spent almost three years as group financial controller. Prior to that he spent three years within the BBA Group Plc. Alistair is responsible for the Company's banking relationships and led the recent successful debt restructuring and refinancing which saw all borrowings fully refinanced. He has also overseen the substantial improvement in the Group's service charge recovery as well as material reductions in overhead costs across the business. Alistair is also responsible for the financial management and control across the Group.

- Audit Committee
- Remuneration Committee
- Nomination Committee
- C Chairman of Committee

3. Robert Sinclair
Non-executive Chairman (65)

Robert Sinclair is managing director of the Guernsey-based Artemis Group and a director of a number of investment fund management companies and investment funds associated with clients of that group. He is chairman of Schroder Oriental Income Fund Limited and is a director of Picton Property Income Limited. Robert is a Fellow of the Institute of Chartered Accountants in England and Wales.

4. Rolf Elgeti
Non-executive Director (38)

Rolf Elgeti is founder and general partner of Obotritia Capital KGaA, a German real estate investment company. He spent over five years as chief executive of TAG Immobilien AG, a German listed residential real estate group in the MDAX with circa €4 billion of assets on its balance sheet, and, until 17 April 2012, non-executive chairman of Treveria plc, the German retail focused real estate company. He previously worked in various banking roles at UBS, Commerzbank Securities and ABN Amro. Rolf graduated with an MBA from the University of Mannheim, Germany, and received an MBA from ESSEC, Paris, in 1999.

5. Wessel Hamman
Non-executive Director (42)

Wessel Hamman was appointed a Director of the Company on 17 May 2011. Wessel is a partner and chief executive of Clearance Capital LLP, a specialist European real estate securities investor and adviser to the Karoo Investment Fund S.C.A. SICAV-SIF. Wessel is a Chartered Accountant by training and spent eleven years in the investment banking industry before co-founding Clearance Capital in 2008.

C C

6. James Peggie
Non-executive Director (44)

James Peggie is a director and co-founder of the Principle Capital Group. He is a qualified solicitor and, before working at the Active Value Group, James worked in the corporate finance division of an international law firm. James graduated from Oxford University in 1992 and in 1994 from The College of Law. James has a wealth of experience as a director of various companies, including Liberty plc from 2006 to 2010.

C

Directors' remuneration report

Dear Shareholder,

On behalf of the Board, I am pleased to present the Directors' remuneration report (the "Report") for the year ended 31 March 2015.

The Committee agreed a remuneration package including the Long Term Incentive Plan ("LTIP") for the Executive Directors and the Senior Management Team at the time of the internalisation in January 2012 and review the package and plan each year. The existing LTIP expired at the end of March 2015 and certain awards have been made pursuant to this.

The Committee does not propose that the Report should be subject to shareholder vote as this is not required given the Company's status as an AIM-listed company and it does not believe that this is appropriate at this stage given the Company's current size and structure. We would, however, greatly appreciate shareholder feedback on the Remuneration Policy.

The Report is divided into two sections:

» the Policy report, which sets out the current Remuneration Policy; and

» the Annual Report on Remuneration, which sets out details of the operation of the Remuneration Committee and details of the Directors' remuneration packages for the year ended 31 March 2015.

The Committee aims to ensure that remuneration is linked to the performance of the Company and believes that the LTIP, which is based on specific targets and growth in net asset value per share adjusted for dividends, ensures that management is aligned with shareholders. The Committee is satisfied that the incentives and remuneration paid during the financial year under review are appropriate.

In respect of the current financial year, the Committee will be adopting a new LTIP to replace the existing LTIP that expired on 31 March 2015, initial details of which appear in this Report. It does not propose any other changes to the Remuneration Policy, which is laid out on the following pages. The Committee will ensure that the Company's Remuneration Policy and practices are kept under review to ensure that they remain appropriate for the Company at its stage of development and that they incentivise management to generate a balance of attractive total returns to shareholders while not encouraging any unnecessary risk taking by the Executive Team.

Yours sincerely

Wessel Hamman
Chairman of the Remuneration Committee

Remuneration Policy

This part of the Report sets out the Remuneration Policy for the Company. The policies for the Executive Directors and the Non-executive Directors are determined by the Committee (members detailed on page 13) and the Committee approves any adjustments to Director fees, salary and bonus and scheme awards. The Committee also sets the parameters for the remuneration packages of the Senior Management Team of the Company, which reports to the Executive Directors. Authority is delegated to the Chief Executive Officer and the Chief Financial Officer to implement all other salary adjustments and scheme and bonus awards for staff within agreed parameters. The Committee decides on all awards under the Company's LTIP and approves the operation of the Company's Share Matching Plan ("SMP").

The aim of the Committee is to ensure that the remuneration packages are sufficiently competitive to attract, retain and motivate individuals of the quality required to achieve the objectives of the Group and thereby enhance shareholder value. The Committee also aims to ensure that all employees receive rewards that fairly reflect their seniority, level of work and contribution to the Group.

Executive Director and senior management policy

The summary of the remuneration policy for the Company's two Executive Directors and eight-member Senior Management Team is set out below:

Salary

Purpose and link to strategy

To provide an appropriate salary level to support retention and recruitment of staff and ensure that staff are appropriately rewarded in relation to their role and responsibilities.

Operation

Reviewed annually on 1 April.

Salary increases are defined in the executive's service contracts and are linked to the average German CPI inflation rate in the period.

Benefits

Purpose and link to strategy
To provide a competitive and comprehensive range of benefits to assist in attracting and retaining the calibre of staff required for the delivery of corporate and strategic objectives.

Operation
The benefits package for the Executive Directors includes private medical insurance, death in service insurance and travel accommodation. These are reviewed every year to ensure that the level of rates and cover remains competitive.

Pension

Purpose and link to strategy
To provide an appropriate level of pension contribution for executives whilst minimising the administrative burden for the Company.

Operation
An annual contribution equal to 10% of basic salary for Executive Directors is made to a private or Group pension plan.

Annual bonus

Purpose and link to strategy
To reward the achievement of annual targets as set by the Committee.

Operation
Objectives are set at the start of the financial year.

The Executive Directors and the Senior Management Team are normally treated as one team in respect of target setting.

Where applicable bonuses are paid in cash after the financial year end audit has been completed and are subject to retention (for the financial year ending 31 March 2015 the retention was 35% for Executive Directors and 15% for the members of the Senior Management Team) for twelve months. Performance hurdles are agreed for the subsequent year in order for the retention to be released.

Annual bonus caps linked to agreed multiples of salary are applied that limit the annual bonuses of the Executive Directors and the Senior Management Team.

Long Term Incentive Plan

Purpose and link to strategy
To support alignment with shareholders through setting specific performance objectives, with awards enhanced by the Company's total shareholder return ("TSR") per share based on dividends and growth in ("NAV") per share.

Operation
Awards for the LTIP for the three year period ending 31 March 2015 granted by the Committee in 2012 will be paid out with shares in the Company at zero cost to the participant following the publication of this Report, of which the value earned by the Executive Directors is detailed in the Directors' remuneration report.

The terms of a new scheme were in principle agreed by the Committee on 8 May 2015 and are currently being finalised and documented. The scheme will again include the Executive Directors and the Senior Management Team and will be paid out with shares in the Company at zero cost to the participant at the end of a three year cycle, although the Company may pay out part of the awards in cash to the extent that is required by the participating individual in order to meet their tax liability arising from the vesting of the awards. The new scheme will award a number of shares based purely on the Company's TSR at various levels between 5% and greater than 15%p.a. with the award then being adjusted for the following two parameters:

a) the Sirius share price movement relative to NAV per share movement, with the share award increasing if total share price return exceeds total NAV return and vice versa, subject to a cap; and

b) the Sirius share price movement relative to the share price movement of the Company's peers, with the share award reduced if the Sirius share price has underperformed relative to a specific peer group by a certain percentage.

The shares awarded under this scheme, if any, will vest after the completion of the audit of the Company's 31 March 2018 Statutory Accounts and a minimum holding period post vesting will apply, as well as a clawback in the event of the Executive Directors committing certain significant breaches of their service contracts. The LTIP will contain provisions for vesting of part of the LTIP awards should a change of control occur during the LTIP period.

Share Matching Plan

Purpose and link to strategy
To encourage share ownership in the Company.

Operation
The Executive Directors and the Senior Management Team are offered the opportunity to participate in the SMP whereby the Company will issue the participant a share at no cost for every share that the participant acquires in the Company during the year. This includes shares received through election to receive shares by way of scrip dividend, but excludes shares acquired pursuant to the LTIP.

The value of shares that can be issued is subject to a cap equal to 50% of the participant's basic salary. Each participant is liable for any personal income tax that becomes payable as a result of any shares issued from this scheme and minimum holding periods apply.

Non-executive Director policy

The Company's Articles of Association provide that the Committee can determine the level of fees to be paid to the Non-executive Directors within limits set by the shareholders. The policy for the Chairman and the Non-executive Directors is as follows:

Fees

Purpose and link to strategy
To provide a competitive level of fees that will attract and retain high calibre Directors with the range of skills and experience required to support the Executive Directors and assist the Company in delivering its objectives.

Operation
The fees for the Chairman and the Non-executive Directors are determined by the Committee as a whole with Directors absenting themselves from discussions regarding their own remuneration.

The Board has regard to the level of fees paid to the non-executive directors of other similar sized companies and the time commitment and responsibilities of the role and reviews these annually.

Neither the Chairman nor the Non-executive Directors participate in any of the Company's share schemes.

Directors' remuneration report *continued*

Terms of appointment

The Non-executive Directors have letters of appointment which are structured as follows:

1) an initial term from a commencement date to the Company's next Annual General Meeting; and
2) thereafter the appointment can be terminated at any time by either party giving six months' notice to the other and subject to the rotation rules detailed below. Details of appointment of all Directors are set out below:

Director	Original appointment date
Robert Sinclair	11 April 2007
Wessel Hamman	17 May 2011
Rolf Elgeti	26 July 2011
James Peggie	28 November 2012
Andrew Coombs	1 May 2014
Alistair Marks	1 May 2014

In accordance with the Articles of Incorporation of the Company, at each general meeting (a) any Director who was elected or last re-elected as a Director at or before the AGM held in the third calendar year before the current year shall retire by rotation, and (b) such further Directors (if any) shall retire by rotation as would bring the number retiring by rotation up to one-third of the number of Directors in office at that date.

Annual Report on Remuneration

Remuneration Committee membership and meetings

As at 31 March 2015, the Committee comprised three Non-executive Directors. The Committee met twice during the year. The members of the Committee during the year and as at the year end and their attendance are summarised below:

Committee member	Meeting attendance
Wessel Hamman (Chairman)	2/2
Robert Sinclair	2/2
James Peggie	2/2

During the financial year, the Committee's main responsibilities included:

» setting and confirming the bonus awards for the year ended 31 March 2015;

» setting the hurdle for the bonus awards for the bonus scheme for the year ended 31 March 2016;

» considering the annual remuneration report for the Executive Directors and the Senior Management Team;

» approving the LTIP and SMP awards under the existing schemes ending 31 March 2015; and

» establishing and approving the new LTIP and SMP schemes covering the three year period ending 31 March 2018.

The Board considers that the membership of the Committee is compliant with the UK Corporate Governance Code recommendations. No individual is involved in determining their own remuneration.

Remuneration

The amount of salary, bonus, benefits and fees paid or payable to all Directors of the Company in respect of the year ended 31 March 2015 are set out in the following table:

	Basic salary	Bonus	Benefits	Pension	Fees	Total
Executive Directors						
Andrew Coombs	€370,055	€370,918	€37,553	€39,317	—	€817,843
Alistair Marks	€244,114	€298,347	€24,029	€27,811	—	€594,301
Non-executive Directors						
Robert Sinclair	—	—	—	—	€80,000	€80,000
Wessel Hamman	—	—	—	—	€30,000	€30,000
Ian Clarke	—	—	—	—	€1,000	€1,000
James Peggie	—	—	—	—	€30,000	€30,000
Rolf Elgeti	—	—	—	—	€30,000	€30,000

No fees were paid to Non-executive Directors for membership of a committee or for attending committee meetings.

The values of shares that were issued to Executive Directors under the Company share award schemes during the year were as follows:

	LTIP	SMP	Total
Executive Directors			
A J Coombs	€1,239,330*	€98,438	€1,337,768
A B Marks	€1,237,398*	—	€1,237,398

* Amounts include accrual for LTIP award of 2,500,000 shares each, which vests when the TSR condition is unconditionally satisfied upon completion of the audit of the Company's 31 March 2015 Statutory Accounts.

Statement of Directors' shareholdings

The table below summarises the interests in shares, including those held in the SMP of the Directors in office at the time of this report:

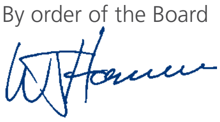
	As at 31 March 2015 ordinary shares	As at 31 March 2014 ordinary shares
Executive Directors		
A J Coombs	**2,171,579**	1,879,740
A B Marks	**1,895,977**	1,800,143
Non-executive Directors		
R A G Sinclair	**333,333**	333,333
W J Hamman	**100,000***	155,000
J Peggie	**1,402,678****	552,678
R Elgeti	**—**	—

There is no minimum shareholding requirement for the Executive Directors.

* Wessel Hamman represents the interests of the Karoo Investment Fund, which currently holds 128,611,451 ordinary shares and a convertible loan that can be converted to 20,833,333 shares.

** James Peggie represents the interests of the Principle Capital Group and its clients and those of Kevin and Frank Oppenheim, who collectively currently hold 48,217,795 ordinary shares.

By order of the Board



Wessel Hamman
Chairman of the Remuneration Committee

Directors' report

The Directors submit their report with the audited financial statements for the year ended 31 March 2015. A review of the Group's business and results for the year is contained in the Chairman's statement and the Chief Executive's Report, which should be read in conjunction with this report.

The Directors have adopted the provisions of the Companies (Guernsey) Law 2008 in preparing the financial statements.

The Directors submit their report together with the Group's consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated cash flow statement and related notes for the financial year ended 31 March 2015, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU and in accordance with any relevant enactment for the time being in force and are in agreement with accounting records, which have been properly kept in accordance with Section 238 of the Companies (Guernsey) Law 2008.

Business of the Group

Sirius Real Estate Limited is the Group's holding company. The principal activity of its operating subsidiaries is the investment in, and development of, commercial property to provide conventional and flexible workspace in Germany.

Results for the year

These results are set out in the consolidated statement of comprehensive income on page 22.

The Group's profit after tax attributable to the equity holders of the Parent Company for the year was €27.0 million (2014: €28.9 million). The Group recommenced the payment of a regular dividend paying an initial dividend of 0.30c per share in August 2014 in connection with the year ended 31 March 2014 and a dividend of 0.77c per share on 31 December 2014 in relation to the first half of the year ended 31 March 2015. The Board has declared a final dividend of 0.84c per share for the remainder of the year ended 31 March 2015. The final dividend will be paid on 10 July 2015 with the ex-dividend dates being 8 June 2015 for shareholders on the JSE register and 11 June 2015 for shareholders on the LSE register. As has been reported previously both the interim and final dividends represent 65% of the Funds From Operations* for the first and second halves of the year ending 31 March 2015 respectively.

It is intended that dividends will continue to be paid on a semi-annual basis and offered to shareholders in cash or scrip form.

* Recurring earnings after tax and before property revaluation, change in fair value of derivative financial instruments, depreciation, amortisation of debt arrangement fees, non-recurring costs and other non-cash items (see note 25).

Going concern

The accounts have been prepared on a going concern basis.

Valuation and net assets

(i) Valuation

Cushman & Wakefield LLP (2014: Cushman & Wakefield LLP) valued the Group's investment properties at €550.0 million as at 31 March 2015 (2014: €448.7 million). After adjusting investment properties reclassified as held for sale and lease incentives the value of investment properties is shown as €545.6 million (2014: €441.1 million) in the statement of financial position.

(ii) Net assets

The investment property valuation has been incorporated into the financial statements for the year ended 31 March 2015 and the net assets of the Group at that date amounted to €288.3 million (2014: €226.3 million).

Directors

	Date appointed	Date resigned
R A G Sinclair	11 April 2007	
W J Hamman	17 May 2011	
I G Clarke	26 July 2011	1 May 2014
R Elgeti	26 July 2011	
J Peggie	28 November 2012	
A J Coombs	1 May 2014	
A B Marks	1 May 2014	

Robert Sinclair was appointed as Chairman on 15 July 2011.

Wessel Hamman is the Chairman of the Audit Committee and the Remuneration Committee.

James Peggie is the Chairman of the Nomination Committee.

Substantial shareholders

At 31 March 2015, the following shareholders had substantial interests in the issued share capital of the Company:

Shareholder	Number of ordinary shares in which interested	% of issued share capital of the Company
Karoo Investment Fund	128,611,451	20.40%
Premier Fund Managers, Ltd	49,493,547	7.85%
Taube Hodson Stonex Partners	39,046,980	6.19%
MAS (IOM) Holdings Limited	26,315,790	4.17%
F&C Asset Management	26,166,855	4.15%

Treasury operations and financial instruments

The Group's policy in relation to financial risk management and use of financial instruments is set out in note 21 to the financial statements.

Directors' responsibilities

The Directors are required by the Companies (Guernsey) Law 2008 to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Group as at the end of the financial period and of its profit or loss for that period. Under the law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates which are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies (Guernsey) Law 2008 and are in accordance with IFRSs as adopted by the EU. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Corporate governance

The Board of Directors

The Directors are responsible for the Group's system of internal control and for reviewing its effectiveness. The risk management process and systems of internal control are designed to manage rather than eliminate the risk of failure to achieve the Group's objectives. Any such system of internal control can only provide reasonable, but not absolute, assurance against material misstatement or loss.

Audit Committee

The Chairman of the Audit Committee is Wessel Hamman. The Audit Committee may examine any matters relating to the financial affairs of the Group and the Group's audits. This includes reviews of the interim and annual financial statements and announcements. The Audit Committee is also responsible for the appointment, independence, terms of reference and fees of external auditors.

The membership of the Audit Committee comprises three Directors, Wessel Hamman, Robert Sinclair and James Peggie. The external auditors have direct access to members of the Committee for independent discussions.

Remuneration Committee

The Chairman of the Remuneration Committee is Wessel Hamman. The Committee comprises three Directors, Wessel Hamman, Robert Sinclair and James Peggie. It determines the terms and conditions of the employment and annual remuneration of the Non-executive Directors, the Executive Directors and the Senior Management Team of the business. To do this it consults with the Executive Directors, takes into consideration External Data and has access to external professional advice.

The key policy objectives of the Remuneration Committee in respect of the Company's Executive Directors and Senior Management Team are:

- to ensure that individuals are fairly rewarded for their personal contribution to the Group's overall performance; and
- to act as the independent committee ensuring that due regard is given to the interest of the Company's shareholders and to the financial health of the Group.

Nomination Committee

The Chairman of the Nomination Committee is James Peggie. The Committee comprises four Directors, James Peggie, Wessel Hamman, Robert Sinclair and Andrew Coombs. It is responsible for evaluating the workings and performance of the existing Board and nominating new Directors to become part of the Board as appropriate.

Auditors and disclosure of information to auditors

The Directors who held office at the date of approval of the financial statements confirm that, so far as they are each aware:

- there is no relevant audit information of which the Group's auditors are unaware; and
- each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

KPMG Channel Islands Limited have indicated their willingness to continue in office as auditors and a resolution proposing their reappointment will be proposed at the Annual General Meeting.

By order of the Board

Intertrust Fund Services (Guernsey) Limited
Secretary

Contents

> Independent auditors' report to the members of Sirius Real Estate Limited

We have audited the consolidated financial statements (the "financial statements") of Sirius Real Estate Limited (the "Company", and together with its subsidiaries, the "Group") for the year ended 31 March 2015 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the EU.

This report is made solely to the Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on pages 18 through 19, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's ("APB's") Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

» give a true and fair view of the state of the Group's affairs as at 31 March 2015 and of its profit for the year then ended;

» are in accordance with International Financial Reporting Standards as adopted by the EU; and

» comply with the Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

» the Company has not kept proper accounting records; or

» the financial statements are not in agreement with the accounting records; or

» we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

KPMG Channel Islands Limited
Chartered Accountants
Guernsey
21 May 2015

The maintenance and integrity of the Sirius Real Estate Limited website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements or audit report since they were initially presented on the website.

Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated statement of comprehensive income for the year ended 31 March 2015

	Notes	Year ended 31 March 2015 €000	Year ended 31 March 2014 €000
Gross rental income	5	**45,394**	45,065
Direct costs	6	**(15,082)**	(16,519)
Net rental income		**30,312**	28,546
Surplus on revaluation of investment properties	13	**25,425**	22,735
Profit/(loss) on disposal of properties		**1,270**	(1,687)
Administrative expenses	6	**(6,526)**	(4,043)
Other expenses	6	**(2,413)**	(2,298)
Operating profit		**48,068**	43,253
Finance income	9	**42**	64
Finance expense	9	**(12,704)**	(12,155)
Change in fair value of derivative financial instruments		**(2,753)**	(128)
Profit before tax		**32,653**	31,034
Taxation	10	**(5,651)**	(2,102)
Profit for the year		**27,002**	28,932
Profit attributable to:			
Owners of the Company		**26,985**	28,927
Non-controlling interests		**17**	5
Profit for the year		**27,002**	28,932
Earnings per share			
Basic earnings for the year attributable to ordinary equity holders of the Parent Company	11	**4.84c**	7.31c
Diluted earnings for the year attributable to ordinary equity holders of the Parent Company	11	**4.71c**	7.01c

The notes on pages 26 to 48 form an integral part of these financial statements.

> Consolidated statement of financial position as at 31 March 2015

	Notes	2015 €000	2014 €000
Non-current assets			
Investment properties	13	**545,626**	441,087
Plant and equipment	15	**1,678**	1,834
Goodwill	16	**3,738**	3,738
Total non-current assets		**551,042**	446,659
Current assets			
Trade and other receivables	17	**9,123**	11,378
Prepayments		**325**	1,570
Derivative financial instruments		**73**	678
Cash and cash equivalents	18	**20,137**	13,747
Investment property held for sale	14	**—**	2,633
Total current assets		**29,658**	30,006
Total assets		**580,700**	476,665
Current liabilities			
Trade and other payables	19	**(25,862)**	(20,980)
Interest-bearing loans and borrowings	20	**(3,302)**	(2,813)
Current tax liabilities		**(451)**	(125)
Derivative financial instruments		**(538)**	(4)
Total current liabilities		**(30,153)**	(23,922)
Non-current liabilities			
Interest-bearing loans and borrowings	20	**(251,480)**	(222,071)
Deferred tax liabilities	10	**(9,020)**	(4,200)
Derivative financial instruments		**(1,784)**	(170)
Total non-current liabilities		**(262,284)**	(226,441)
Total liabilities		**(292,437)**	(250,363)
Net assets		**288,263**	226,302
Equity			
Issued share capital	23	**—**	—
Other distributable reserve	24	**384,937**	349,978
Retained earnings		**(96,713)**	(123,698)
Total equity attributable to the equity holders of the Parent Company		**288,224**	226,280
Non-controlling interests		**39**	22
Total equity		**288,263**	226,302

The financial statements on pages 22 to 25 were approved by the Board of Directors on 21 May 2015 and were signed on its behalf by:

James Peggie
Director

The notes on pages 26 to 48 form an integral part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 March 2015

Group	Issued share capital €000	Other distributable reserve €000	Retained earnings €000	Total equity attributable to the equity holders of the Parent Company €000	Non-controlling interests €000	Total equity €000
As at 31 March 2013	—	303,637	(152,625)	151,012	17	151,029
Shares issued, net of costs	—	45,438	—	45,438	—	45,438
Share-based payment transactions	—	903	—	903	—	903
Profit for the year	—	—	28,927	28,927	5	28,932
As at 31 March 2014	—	349,978	(123,698)	226,280	22	226,302
Shares issued, net of costs	—	38,324	—	38,324	—	38,324
Share-based payment transactions	—	506	—	506	—	506
Dividends paid	—	(3,871)	—	(3,871)	—	(3,871)
Profit for the year	—	—	26,985	26,985	17	27,002
As at 31 March 2015	**—**	**384,937**	**(96,713)**	**288,224**	**39**	**288,263**

The notes on pages 26 to 48 form an integral part of these financial statements.

> Consolidated cash flow statement for the year ended 31 March 2015

	Notes	Year ended 31 March 2015 €000	Year ended 31 March 2014 €000
Operating activities			
Profit before tax		**32,653**	31,034
(Gain)/loss on sale of properties		**(1,270)**	1,687
Share-based payments		**506**	903
(Surplus) on revaluation of investment properties	13	**(25,425)**	(22,735)
Change in fair value of derivative financial instruments		**2,753**	128
Depreciation	6	**893**	995
Finance income	9	**(42)**	(64)
Finance expense	9	**12,704**	12,155
Cash flows from operations before changes in working capital		**22,772**	24,103
Changes in working capital			
Decrease/(increase) in trade and other receivables		**1,592**	(3,924)
Increase/(decrease) in trade and other payables		**5,601**	(1,464)
Taxation paid		**(552)**	(191)
Cash flows from operating activities		**29,413**	18,524
Investing activities			
Purchase of investment properties		**(70,975)**	—
Development expenditure		**(8,433)**	(4,260)
Purchase of plant and equipment		**(736)**	(391)
Proceeds on disposal of properties		**4,403**	14,811
Interest received		**42**	64
Cash flows used in investing activities		**(75,699)**	10,224
Financing activities			
Issue of shares		**38,324**	45,438
Dividends paid		**(3,871)**	—
Proceeds from loans		**36,000**	193,560
Repayment of loans		**(6,717)**	(259,838)
Finance charges paid		**(11,060)**	(10,879)
Cash flows from financing activities		**52,676**	(31,719)
Increase/(decrease) in cash and cash equivalents		**6,390**	(2,971)
Cash and cash equivalents at the beginning of the year		**13,747**	16,718
Cash and cash equivalents at the end of the year	18	**20,137**	13,747

The notes on pages 26 to 48 form an integral part of these financial statements.

Notes to the financial statements for the year ended 31 March 2015

1. General information

Sirius Real Estate Limited (the "Company") is a company incorporated and domiciled in Guernsey whose shares are publicly traded on the AIM market of the London Stock Exchange (primary listing) and the Alternative Exchange ("AltX") of the Johannesburg Stock Exchange (secondary listing).

The consolidated financial statements of Sirius Real Estate Limited comprise the Company and its subsidiaries (together referred to as the "Group"). The Group financial statements have been prepared for the year ended 31 March 2015.

The principal activity of the Group is the investment in and development of commercial property to provide conventional and flexible workspace in Germany, primarily focused on the SME sector.

2. Significant accounting policies

(a) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties, investment properties held for sale and derivative financial instruments which have been measured at fair value. The consolidated financial statements are presented in euros and all values are rounded to the nearest thousand (€000) except where otherwise indicated.

(b) Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs adopted for use in the EU ("Adopted IFRSs") and the Companies (Guernsey) Law, 2008. The consolidated financial statements give a true and fair view and are in compliance with the Companies (Guernsey) Law, 2008.

The consolidated financial statements were authorised for issue by the Board of Directors on 21 May 2015.

(c) Going concern

Having reviewed the Group's current trading and forecasts, together with sensitivities and mitigating factors and the available facilities, the Board has reasonable expectations that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board continues to adopt the going concern basis in preparing these financial statements.

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Sirius Real Estate Limited and its subsidiaries as at 31 March 2015. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

All intragroup balances and transactions and any unrealised income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

(e) Single statement of comprehensive income

The Group has chosen to present a single statement of comprehensive income (combining the income statement and a statement of comprehensive income).

(f) Acquisitions

Property acquisitions that are not accounted for as business combinations under IFRS 3 are dealt with as acquisitions of property assets.

(g) Foreign currency translation

The consolidated financial statements are presented in euros, which is the functional and presentational currency of all members of the Group.

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the statement of financial position date. All differences are taken to the statement of comprehensive income.

2. Significant accounting policies *continued*

(h) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. In particular:

Rental income

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which the benefit derived from the leased asset is diminished.

Fixed or determinable rental increases, which can take the form of actual amounts or agreed percentages, are recognised on a straight-line basis over the term of the lease. If the increases are related to a price index to cover inflationary cost increases then the policy is not to spread the amount but to recognise them when the increase takes place.

The value of rent free periods and all similar lease incentives are spread on a straight-line basis over the term of the lease.

Interest income

Interest income is recognised as it accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument).

Service charges

The service charge income receivable is not treated as revenue; rather, it is set off against the costs to which such income relates.

(i) Leases

Group as lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases.

(j) Income tax

Current income tax

Current income tax assets and liabilities are measured at the reporting date at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

The Company has obtained exempt company status in Guernsey under the terms of the Income Tax (Exempt Bodies) Ordinance, 1989. The Directors intend to conduct the Company's affairs so that they remain eligible for exemption.

Certain subsidiaries may be subject to foreign taxes in respect of foreign sources of income.

Deferred income tax

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, with the following exceptions:

» where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;

» in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and

» deferred tax assets are only recognised to the extent that it is foreseeable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply to the year when the related asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

(k) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

» where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

» receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Notes to the financial statements *continued* for the year ended 31 March 2015

2. Significant accounting policies *continued*

(l) Investment properties
Investment properties are properties owned by the Group which are held either for long-term rental income or for capital appreciation or both.

Investment properties are initially recognised at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of comprehensive income in the period in which they arise.

The fair value of the Group's investment properties at 31 March 2015 has been arrived at on the basis of a valuation carried out at that date by Cushman & Wakefield LLP (2014: Cushman & Wakefield LLP), an independent valuer.

The valuations are in accordance with standards complying with the Royal Institution of Chartered Surveyors' ("RIC's") approval and the conceptual framework that has been settled by the International Valuation Standards Committee ("IVSC").

(m) Disposals of investment property
Investment property disposals are recognised in the financial statements on the date of completion. Profit or losses arising on disposal of investment properties are calculated by reference to the carrying value of the asset at the beginning of the year adjusted for subsequent capital expenditure.

(n) Investment property under construction
Property that is being constructed or developed for future use as investment property is accounted for as an investment property under construction until construction or development is complete, when it is then reclassified as investment property.

Investment property under construction will be carried at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property. Any gain or loss will be recognised in the statement of comprehensive income, consistent with the policy adopted for all other investment properties carried at fair value.

(o) Plant and equipment
Recognition and measurement
Items of plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation
Where parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment.

Depreciation is charged in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of the fixed assets. The estimated useful lives are as follows:

Plant and equipment	four to ten years
Fixtures and fittings	four years
Computer software	five years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(p) Goodwill
Goodwill arising on consolidation represents the excess of the cost of the purchase consideration over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill is initially recognised at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is not amortised but is tested for impairment at least annually or more frequently when there is an indication that the unit may be impaired. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units to which goodwill has been allocated.

(q) Investment properties held for sale
Non-current assets that are expected to be recovered primarily through disposal rather than through continuing use are classified as held for sale. For this to be the case, the asset must be available for immediate disposal in its present condition subject only to terms that are usual and customary for disposals of such assets and its disposal must be highly probable.

Immediately before classification as held for sale the assets are measured in line with the Group's accounting policies. Thereafter the assets are measured at the lower of their carrying amount and fair value less costs to sell.

2. Significant accounting policies *continued*

(r) Trade receivables

Trade receivables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method, less an allowance for impairment (see note 2(z) (i)).

(s) Treasury shares

Own equity instruments which are reacquired ("Treasury Shares") are deducted from equity. No gain or loss is recognised in the statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's equity instruments.

(t) Share-based payments

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards.

The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

(u) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

(v) Bank borrowings

Interest-bearing bank loans and borrowings are initially recorded at fair value, net of direct issue costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised, as well as through the amortisation process.

(w) Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

(x) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(y) Dividends

Dividend distributions to the Company's shareholders are recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

(z) Impairment excluding investment properties

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

» significant financial difficulty of the debtor;

» a breach of contract, such as a default or delinquency in interest or principal payments; and

» it becomes probable that the debtor will enter bankruptcy or other financial reorganisation.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the statement of comprehensive income. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the statement of comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the statement of comprehensive income.

Notes to the financial statements *continued* for the year ended 31 March 2015

2. Significant accounting policies *continued*

(z) Impairment excluding investment properties *continued*

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

(aa) Derivative financial instruments

The Group uses derivative financial instruments such as interest rate swaps and caps to hedge its risks associated with interest rate fluctuations. The interest rate swaps and caps are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value on the reporting date. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group does not apply hedge accounting to its interest rate swaps and caps. Any change in the fair value of such derivatives is recognised immediately in the statement of comprehensive income as a finance expense or as finance income as appropriate.

(ab) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes denominated in euros that can be converted to share capital at the option of the holder, when the number of shares to be issued is fixed.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest related to the financial liability is recognised in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognised.

(ac) Standards effective in the year

The accounting policies adopted are consistent with those of the previous financial year, except that the following new standards have been adopted in the current year:

» IAS 1 (amended) 'Financial Statement Presentation' changes the grouping of items presented in the Group's Statement of Comprehensive Income so that items which may be reclassified to the income statement in the future are presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance.

» Amendment to IAS 32 'Offsetting Financial Assets and Financial Liabilities' – clarifies the offsetting criteria, specifically when an entity currently has a legal right of set-off and when gross settlement is equivalent to net settlement. An entity "currently has a legally enforceable right of set off" if the right is not contingent on a future event and is not enforceable in both the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all of the counterparties. Gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that eliminate and result in insignificant credit and liquidity risk and process receivables and payables in a single settlement process or cycle. The adoption of this has not had any significant impact on the amounts reported in the Group financial statements.

» Annual Improvements 2009 – 2011, which includes changes to IAS 1 'Financial Statement Presentation', IAS 32 'Financial Instruments: Presentation, IAS 34 'Interim Financial Reporting' and IAS 16 'Property, Plant and Equipment'. The adoption of these has not had any significant impact on the amounts reported in the Group financial statements.

2. Significant accounting policies *continued*

(ad) Standards and interpretations in issue and not yet effective

IFRS 9 'Financial Instruments' – In November 2009 and October 2010, the IASB issued IFRS 9 'Financial Instruments', which represents part of a project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and to add new requirements to address the impairment of financial assets and hedge accounting. A final standard in relation to hedge accounting is now in issue. IFRS 9 will not be effective before 1 January 2018, with the final effective date being determined by the IASB when other parts of the IFRS are finalised, but may be applied earlier subject to EU endorsement. The Group has yet to assess IFRS 9's full impact and will also consider the impact of the remaining phases of IFRS 9 when completed by the IASB.

3. Significant accounting judgements, estimates and assumptions

Judgements

In the process of applying the Group's accounting policies, which are described in note 2, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties and therefore accounts for them as operating leases.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Valuation of investment properties

The fair value of the Group's investment properties of €550.0 million (2014: €448.7 million) was determined by Cushman & Wakefield LLP (2014: Cushman & Wakefield LLP), an independent valuer. After adjusting investment properties reclassified as held for sale and for lease incentive accounting and Directors' write-downs on non-core assets, the value of investment properties is shown as €545.6 million (2014: €443.7 million). The valuation is based upon assumptions including future rental income, anticipated maintenance costs and the appropriate discount rate. The properties are valued on the basis of a ten year discounted cash flow model supported by comparable evidence. The discounted cash flow calculation is a valuation of rental income considering non-recoverable costs and applying a discount rate for the current income risk over a ten year period. After ten years a determining residual value (exit scenario) is calculated. A cap rate is applied to the more uncertain future income, discounted to a present value.

As a result of the level of judgement used in arriving at the market valuations, the amounts which may ultimately be realised in respect of any given property may differ from the valuations shown on the statement of financial position.

Fair value of derivatives and other financial instruments

The Group's interest rate swaps and caps are shown in these financial statements (note 22) at fair value based on valuations prepared by relevant banks. Such valuations are based on market prices, estimated future cash flows and forward rate as appropriate.

Deferred tax

Deferred taxation is measured at rates prevailing at the balance sheet date. Such rates are subject to governmental changes that are outside the control of the entity.

Additionally, management has to assess the recoverability of deferred tax assets and certain assets are not recognised due to uncertainties over the timing and nature of future events that will lead to their realisation. Accordingly these unrecognised assets may have an impact on future corporate tax changes in certain circumstances.

Notes to the financial statements *continued* for the year ended 31 March 2015

3. Significant accounting judgements, estimates and assumptions *continued*

Impairment of goodwill

The Group is required to test on an annual basis whether goodwill has suffered any impairment. The assessment and quantification of any such impairment charges is determined by key management judgements in terms of:

» detailed short-term budgeting on which the recoverable amounts calculated are based;

» determining the medium and long-term growth rates that are used in extrapolating these budgets over the goodwill's indefinite useful economic life; and

» the discount rate applied to these extrapolated forecasts to calculate the present value of the cash flows.

4. Operating segments

Segment information is presented in respect of the Group's operating segments. The operating segments are based on the Group's management and internal reporting structure. Segment results and assets include items directly attributable to a segment as well as those that can be allocated to a segment on a reasonable basis.

Management considers that there is only one geographical segment, which is Germany, and one reporting segment, which is investment in commercial property.

5. Revenue

	Year ended 31 March 2015 €000	Year ended 31 March 2014 €000
Rental income from investment properties	**45,394**	45,065

6. Operating profit

The following items have been charged or credited in arriving at operating loss:

Direct costs

	Year ended 31 March 2015 €000	Year ended 31 March 2014 €000
Service charge income	**(33,995)**	(33,965)
Service charge expenditure and other costs	**49,077**	50,391
Irrecoverable property costs and overheads	**15,082**	16,426
Property management fee	**—**	93
	15,082	16,519

Administrative expenses

	Year ended 31 March 2015 €000	Year ended 31 March 2014 €000
Audit fee	**409**	352
Legal and professional fees	**1,379**	1,270
Other administration costs	**907**	1,186
Non-recurring items	**3,831**	1,235
	6,526	4,043

During the year fees of €93,000 (2014: €112,000) were incurred with the auditors and their associates in respect of other non-audit services.

Non-recurring costs relate primarily to an accrual of €3,276,000 for the granting of 6,200,000 shares under the Long Term Incentive Plan ("LTIP") for the benefit of the Executive Directors and the Senior Management Team (see note 8), costs associated with the provision of scrip dividends, costs associated with the migration of tax domicile of the Parent Company, Sirius Real Estate Limited, from Guernsey to the UK, and interest income from prior periods.

6. Operating profit *continued*

Other expenses

	Year ended 31 March 2015 €000	Year ended 31 March 2014 €000
Directors' fees	**171**	142
Depreciation	**893**	995
Bank fees	**88**	84
Marketing, insurance and other expenses	**1,261**	1,077
	2,413	2,298

7. Employee costs and numbers

	Year ended 31 March 2015 €000	Year ended 31 March 2014 €000
Wages and salaries	**11,450**	8,080
Social security costs	**2,159**	1,752
Other employment costs	**49**	25
	13,658	9,857

The costs for the year ended 31 March 2015 include an accrual of €3,276,000 for the granting of shares under the LTIP (see note 8). The average number of people employed by the Group during the year was 169 (2014: 151), expressed in full-time equivalents. In addition the Board of Directors consists of four (2014: five) Non-executive Directors and, since 1 May 2014, two Executive Directors. On 1 May 2014, one Non-executive Director stepped down.

8. Equity-settled share-based payments

The Group has a LTIP scheme for the benefit of the Executive Directors and the Senior Management Team as described in the Remuneration Report. As a result, 666,668 shares were granted under the scheme in August 2014 and an expense of €261,000 was recognised in the consolidated statement of comprehensive income to 31 March 2015. In addition, an expense of €3,276,000 was recorded in anticipation of the granting of 6,200,000 shares under the scheme to the participants, contingent upon achieving the performance conditions and the completion of the audit of the Company's 31 March 2015 Statutory Accounts.

During the year, a further 870,279 shares were issued to the Company's management through its Share Matching Scheme and shares taken in lieu of bonus. For the issued shares that were not expensed in prior years, an expense of €109,000 was recognised in the consolidated statement of comprehensive income.

9. Finance income and expense

	Year ended 31 March 2015 €000	Year ended 31 March 2014 €000
Bank interest income	**42**	64
Finance income	**42**	64
Bank interest expense	**(11,060)**	(10,879)
Amortisation of capitalised finance costs	**(1,644)**	(1,276)
Finance expense	**(12,704)**	(12,155)

Notes to the financial statements *continued* for the year ended 31 March 2015

10. Taxation

	Year ended 31 March 2015 €000	Year ended 31 March 2014 €000
Current income tax		
Current income tax charge	**(564)**	(538)
Adjustment in respect of prior periods	**(267)**	—
	(831)	(538)
Deferred tax		
Relating to origination and reversal of temporary differences	**(4,820)**	(1,564)
Income tax charge reported in the statement of comprehensive income	**(5,651)**	(2,102)

The income tax rate applicable to the Company in Guernsey is nil. The current income tax charge of €831,000 (2014: €538,000) represents tax charges on profit arising in Germany that is subject to corporate income tax of 15.825% (2014: 15.825%). The effective income tax rate for the period differs from the standard rate of corporation tax in Germany. The differences are explained below:

	Year ended 31 March 2015 €000	Year ended 31 March 2014 €000
Profit before tax	**32,653**	31,034
Profit before tax multiplied by rate of corporation tax in Germany of 15.825% (2014: 15.825%)	**5,167**	4,911
Effects of:		
Income exempt from tax	**(3,140)**	(3,181)
Expenses deductible for tax purposes	**(1,649)**	(1,626)
Non-taxable items including revaluation movements	**(3,742)**	(3,686)
Tax losses utilised	**(400)**	(903)
Tax losses not utilised	**4,328**	4,937
Relating to origination and reversal of temporary differences	**4,820**	1,564
Adjustments in respect of prior periods	**267**	—
Other	**—**	86
Total income tax expense in the statement of comprehensive income	**5,651**	2,102

Deferred tax liability

	Year ended 31 March 2015 €000	Year ended 31 March 2014 €000
Opening balance	**4,200**	2,636
Revaluation of investment properties and derivative financial instruments to fair value	**4,820**	1,564
Balance as at year end	**9,020**	4,200

The Group has tax losses of €181,815,000 (2014: €166,412,000) that are available for offset against future profits of its subsidiaries in which the losses arose. Deferred tax assets have not been recognised in respect of the revaluation losses on investment properties and interest rate swaps as they may not be used to offset taxable profits elsewhere in the Group as realisation is not assured.

On 1 May 2014, the Company relocated its tax residence from Guernsey to the United Kingdom. Although the Company continues to be a limited company registered in Guernsey, the migration in tax residence to the UK enables the Company to take advantage of recent reforms of the UK tax regime and allows future Board appointments to be made irrespective of their residence. Migration also allows the Company to hold Board and shareholder meetings in the UK.

11. Adjusted earnings per share

The calculation of the basic, diluted, headline and adjusted earnings per share is based on the following data:

	Year ended 31 March 2015 €000	Year ended 31 March 2014 €000
Earnings		
Basic earnings	**26,985**	28,927
Diluted earnings	**27,235**	29,184
Headline earnings	**5,110**	9,443
Diluted headline earnings	**5,360**	9,693
Adjusted		
Basic earnings after tax	**26,985**	28,927
Deduct valuation surplus, net of related tax	**(20,605)**	(21,171)
(Deduct gain)/add back loss on sale of properties	**(1,270)**	1,687
Headline earnings after tax	**5,110**	9,443
Add back change in fair value of derivative instruments	**2,753**	128
Add back non-recurring expenses	**3,831**	1,235
Adjusted earnings after tax	**11,694**	10,806
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**557,221,586**	395,758,526
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**578,054,919**	416,591,859
Weighted average number of ordinary shares for the purpose of headline earnings per share	**557,221,586**	395,758,526
Weighted average number of ordinary shares for the purpose of diluted headline earnings per share	**578,054,919**	416,591,859
Weighted average number of ordinary shares for the purpose of adjusted earnings per share	**557,221,586**	395,758,526
Basic earnings per share	**4.84c**	7.31c
Diluted earnings per share	**4.71c**	7.01c
Headline earnings per share	**0.92c**	2.39c
Diluted headline earnings per share	**0.93c**	2.33c
Adjusted earnings per share	**2.10c**	2.73c

The number of shares has been reduced by 4,981,784 shares (2014: 6,518,731 shares) that are held by the Company as Treasury Shares at 31 March 2015, for the calculation of basic and adjusted earnings per share.

The Directors have chosen to disclose adjusted earnings per share in order to provide a better indication of the Group's underlying business performance; accordingly it excludes the effect of non-recurring costs, gains/losses on sale of properties, deferred tax and the revaluation deficits/surpluses on the investment properties and derivative instruments.

Notes to the financial statements *continued* for the year ended 31 March 2015

12. Adjusted net assets per share

	Year ended 31 March 2015 €000	Year ended 31 March 2014 €000
Net assets		
Net assets for the purpose of assets per share (assets attributable to the equity holders of the Parent)	**288,224**	226,280
Deferred tax arising on revaluation of properties	**9,020**	4,200
Derivative financial instruments	**2,249**	(504)
Adjusted net assets attributable to equity holders of the Parent	**299,493**	229,976
Number of shares		
Number of ordinary shares for the purpose of net assets per share	**630,338,749**	518,900,307
Net assets per share	**45.73c**	43.61c
Adjusted net assets per share*	**47.51c**	44.32c

* Adjusted for deferred taxes and change in value of derivative financial instruments.

The number of shares has been reduced by 4,981,784 shares (2014: 6,518,731 shares) that are held by the Company as Treasury Shares at 31 March 2015, for the calculation of adjusted net assets per share.

13. Investment properties

Some of the Group's properties are pledged as security for loans obtained by the Group. See note 20 for details.

A reconciliation of the valuation carried out by the external valuer to the carrying values shown in the statement of financial position is as follows:

	2015 €000	2014 €000
Investment properties at market value	**550,030**	448,653
Adjustment in respect of lease incentives	**(2,004)**	(1,902)
Additional write-downs*	**(2,400)**	(3,031)
Reclassified as investment properties held for sale	**—**	(2,633)
Balance as at year end	**545,626**	441,087

* This relates to three (2014: two) non-core assets that management hopes to sell in the year but which currently do not meet the criteria for assets held for sale. These are non-core assets with high vacancy and the write-down adjusts the value to the expected sales price required to achieve a quick sale.

The fair value of the Group's investment properties at 31 March 2015 has been arrived at on the basis of a valuation carried out by Cushman & Wakefield LLP (2014: Cushman & Wakefield LLP), an independent valuer.

The value of each of the properties has been assessed in accordance with the RICS Valuation Standards on the basis of market value. Market value was primarily derived using a ten year discounted cash flow model supported by comparable evidence. The discounted cash flow calculation is a valuation of rental income considering non-recoverable costs and applying a discount rate for the current income risk over a ten year period. After ten years a determining residual value (exit scenario) is calculated. A cap rate is applied to the more uncertain future income, discounted to a present value.

The weighted average lease duration across all the properties held by the Group at 31 March 2015 was 2.4 years.

13. Investment properties *continued*

The movement on the valuation of the investment properties of market value per the valuers' report is as follows:

	2015 €000	2014 €000
Total investment properties at market per valuers' report as at 1 April	**448,653**	440,020
Additions and subsequent expenditure	**79,566**	4,325
Adjustment in respect of lease incentives	**102**	(230)
Disposals	**(3,132)**	(18,197)
Surplus on revaluation	**25,425**	22,735
Reclassified as other fixed assets	**(111)**	—
Write-backs recorded in surplus on revaluation	**(473)**	—
Total investment properties at market per valuers' report as at 31 March	**550,030**	448,653

Other than the capital commitments disclosed in note 27, the Group is under no contractual obligation to purchase, construct or develop any investment property. The Group is responsible for routine maintenance to the investment properties.

All investment properties are categorised as Level 3 fair values as they use significant unobservable inputs. There have not been any transfers between levels during the year. Investment properties have been classed according to their real estate sector. Information on these significant unobservable inputs per class of investment property is disclosed below:

As at 31 March 2015

Sector	Market value (€)	Technique	Significant assumption	Range
Business park	530,530,000	Discounted cash flow	Current rental income	€150k–€5,201k
			Market rental income	€399k–€6,039k
			Gross initial yield	3.5%–11.9%
			Discount factor	6.0%–12.0%
			Void period (months)	12–24
			Estimated capital value per sqm	€61–€900
Other	19,500,000	Discounted cash flow	Current rental income	€381k–€780k
			Market rental income	€470k–€884k
			Gross initial yield	7.8%–10.3%
			Discount factor	7.1%–7.9%
			Void period (months)	12–24
			Estimated capital value per sqm	€518–€778

As at 31 March 2014

Sector	Market value (€)	Technique	Significant assumption	Range
Business park	426,970,000	Discounted cash flow	Current rental income	€91k–€5,059k
			Market rental income	€372k–€6,041k
			Gross initial yield	2.2%–10.9%
			Discount factor	6.5%–11.8%
			Void period (months)	12–24
			Estimated capital value per sqm	€83–€815
Other	21,683,000	Discounted cash flow	Current rental income	€38k–€800k
			Market rental income	€56k–€928k
			Gross initial yield	6.2%–8.8%
			Discount factor	7.3%–11.0%
			Void period (months)	12–24
			Estimated capital value per sqm	€287–€840

The valuation is performed on a lease-by-lease basis due to the mixed-use nature of the sites. This gives rise to large ranges in the inputs.

Notes to the financial statements *continued* for the year ended 31 March 2015

13. Investment properties *continued*

As a result of the level of judgement used in arriving at the market valuations, the amounts which may ultimately be realised in respect of any given property may differ from the valuations shown in the statement of financial position.

For example, an increase in market rental values of 5% would lead to an increase in the fair value of the investment properties of €28,830,000 and a decrease in market rental values of 5% would lead to a decrease in the fair value of the investment properties of €28,750,000. Similarly, an increase in the discount rates of 0.25% would lead to a decrease in the fair value of the investment properties of €10,770,000 and a decrease in the discount rates of 0.25% would lead to an increase in the fair value of the investment properties of €10,990,000.

The highest and best use of properties do not differ from their current use.

14. Investment properties held for sale

	2015 €000	2014 €000
Bremen Doetlingerstr. partial site	—	2,150
Bonn Siemensstr. land	—	186
Cottbus site	—	297
Balance as at year end	—	2,633

15. Plant and equipment

	Plant and equipment €000	Fixtures and fittings €000	Total €000
Cost			
As at 31 March 2014	4,193	1,622	5,815
Additions in year	332	416	748
Disposals in year	(24)	(17)	(41)
As at 31 March 2015	**4,501**	**2,021**	**6,522**
Depreciation			
As at 31 March 2014	(2,862)	(1,119)	(3,981)
Charge for year	(667)	(226)	(893)
Disposals in year	24	6	30
As at 31 March 2015	**(3,505)**	**(1,339)**	**(4,844)**
Net book value as at 31 March 2015	**996**	**682**	**1,678**
Cost			
As at 31 March 2013	4,129	1,709	5,838
Additions in year	129	317	446
Disposals in year	(65)	(404)	(469)
As at 31 March 2014	4,193	1,622	5,815
Depreciation			
As at 31 March 2013	(2,248)	(1,052)	(3,300)
Charge for year	(656)	(339)	(995)
Disposals in year	42	272	314
As at 31 March 2014	(2,862)	(1,119)	(3,981)
Net book value as at 31 March 2014	1,331	503	1,834

16. Goodwill

	2015 €000	2014 €000
Opening balance	**3,738**	3,738
Additions	**—**	—
Total	**3,738**	3,738

On 30 January 2012 a transaction was completed to internalise the Asset Management Agreement and as a result of the consideration given exceeding the net assets acquired, goodwill of €3,738,000 was recognised. Current business plans indicate that the balance is unimpaired.

Goodwill is tested at least annually for impairment and whenever there are indications that goodwill might be impaired. The recoverable amount of a cash-generating unit is based on its value in use. Value in use is the present value of the projected cash flows of the cash-generating unit. The key assumptions regarding the value in use calculations were budgeted growth in profit margins and the discount rate applied. Budgeted profit margins were estimated based on actual performance over the past two financial years and expected market changes. The discount rate used is a pre-tax rate and reflects the risks specific to the real estate industry. The Group prepares cash flow forecasts based on the most recent financial budget approved by management, which covers a one year period. Cash flows beyond this period are extrapolated to a period of five years using a growth rate of 2%, which is consistent with the long-term average growth rate for the real estate sector. The discount rate applied was 4.4%.

17. Trade and other receivables

	2015 €000	2014 €000
Trade receivables	**3,591**	4,545
Other receivables	**5,532**	6,652
Related party receivable (see note 26)	**—**	181
	9,123	11,378

18. Cash and cash equivalents

	2015 €000	2014 €000
Cash at banks and in hand	**20,137**	13,747

Cash at banks earns interest at floating rates based on daily bank deposit rates. The fair value of cash is €20,137,487 (2014: €13,747,138).

As at 31 March 2015 €10,073,021 (2014: €6,734,622) of cash is held in blocked accounts. Of this, balances relating to deposits received from tenants total €3,880,386 (2014: €3,032,188). An amount of €15,561 (2014: €15,546) relates to funds held on an escrow account for a supplier and €116,307 (2014: €116,144) is held in a restricted account for an office rent deposit. An amount of €6,060,767 (2014: €2,070,744) relates to amounts reserved for future bank loan interest and amortisation payments on the bank loan facilities. An amount of €nil (2014: €1,500,000) relates to funds held on an escrow account for a possible acquisition of further assets.

19. Trade and other payables

	2015 €000	2014 €000
Trade payables	**5,001**	5,318
Accrued expenses	**9,712**	6,983
Accrued interest	**692**	707
Other payables	**10,457**	7,972
	25,862	20,980

Notes to the financial statements *continued* for the year ended 31 March 2015

20. Interest-bearing loans and borrowings

	Effective interest rate %	Maturity	2015 €000	2014 €000
Current				
Berlin-Hannoversche Hypothekenbank AG/ Deutsche Pfandbriefbank AG				
– capped floating rate facility	Capped floating*	31 March 2019	**1,150**	1,150
– hedged floating rate facility	Hedged floating*	31 March 2019	**1,150**	1,150
Berlin-Hannoversche Hypothekenbank AG				
– fixed rate facility	2.85	31 December 2019	**720**	—
Macquarie Bank loan				
– hedged floating rate facility	Hedged floating**	17 January 2017	**555**	529
– floating rate facility	Floating**	17 January 2017	**158**	183
– floating rate facility	Floating***	17 January 2017	**325**	325
K-Bonds I				
– fixed rate facility	6.00	31 July 2020	**1,000**	1,000
Capitalised finance charges on all loans			**(1,756)**	(1,524)
			3,302	2,813
Non-current				
Berlin-Hannoversche Hypothekenbank AG/ Deutsche Pfandbriefbank AG				
– capped floating rate facility	Capped floating*	31 March 2019	**55,200**	56,350
– hedged floating rate facility	Hedged floating*	31 March 2019	**55,200**	56,350
Berlin-Hannoversche Hypothekenbank AG				
– fixed rate facility	2.85	31 December 2019	**35,100**	—
Macquarie Bank loan				
– hedged floating rate facility	Hedged floating**	17 January 2017	**19,445**	19,471
– floating rate facility	Floating**	17 January 2017	**5,538**	6,728
– floating rate facility	Floating***	17 January 2017	**29,793**	31,815
K-Bonds I				
– fixed rate facility	4.00	31 July 2023	**45,000**	45,000
– fixed rate facility	6.00	31 July 2020	**5,000**	6,000
Convertible fixed rate facility	5.00	21 March 2018	**5,000**	5,000
Capitalised finance charges on all loans			**(3,796)**	(4,643)
			251,480	222,071
Total			**254,782**	224,884

* This floating rate facility is charged interest at 300 bps plus EURIBOR. Half of this facility is capped at 4.50%; the other half is hedged at a rate of 4.065%.

** €20.0 million of this facility is charged interest at 600 bps plus 0.629% until 23 July 2016 by means of an interest rate swap. The remainder of the facility is charged interest at 6.0% plus EURIBOR.

*** This facility is charged interest at 6.0% plus EURIBOR.

20. Interest-bearing loans and borrowings *continued*

The borrowings are repayable as follows:

	2015 €000	2014 €000
On demand or within one year	**5,058**	4,337
In the second year	**59,407**	4,337
In the third to tenth years inclusive	**195,869**	222,378
Total	**260,334**	231,052

The Group has pledged 29 (2014: 26) properties to secure the interest-bearing debt facilities granted to the Group. The 29 properties had a combined valuation of €527,075,000 as at 31 March 2015 (2014: €430,267,500).

Berlin-Hannoversche Hypothekenbank AG/Deutsche Pfandbriefbank AG

On 31 March 2014, the Group agreed to a facility agreement with Berlin-Hannoversche Hypothekenbank AG and Deutsche Pfandbriefbank AG for €115 million. The loan terminates on 31 March 2019. Amortisation is 2% p.a. for the first two years, 2.5% for the third year and 3% thereafter, with the remainder due in the fifth year. Half of the facility is charged interest at 3% plus three months' EURIBOR and is capped at 4.5%, and the other half has been hedged at a rate of 4.065% until 31 March 2019. This facility is secured over nine property assets and is subject to various covenants with which the Group has complied.

Berlin-Hannoversche Hypothekenbank AG

On 15 December 2014, the Group agreed to a facility agreement with Berlin-Hannoversche Hypothekenbank AG for €36 million. The loan terminates on 31 December 2019. Amortisation is 2% p.a. for the first two years, 2.4% for the third year and 2.8% thereafter, with the remainder due in the fifth year. The facility is charged a fixed interest rate of 2.85%. This facility is secured over three property assets and is subject to various covenants with which the Group has complied.

Macquarie Bank

On 17 January 2013, the Group agreed to a facility agreement with Macquarie Bank Limited for €28.5 million. The loan terminates on 17 January 2017. Amortisation is 2.5% p.a. for the first three years, with the remainder due in the fourth year. The facility is subject to a cash sweep each quarter whereby Macquarie sweeps the Group's rent collection accounts of the facilities' borrowers, applying any excess towards the loan balance with immediate effect and without penalty. €20 million of the facility has been hedged at a rate of 6.629% until 23 July 2016 by way of an interest rate swap. The remainder of the facility is charged interest at 6% plus three months' EURIBOR. This facility is secured over five property assets and is subject to various covenants with which the Group has complied.

On 13 December 2013, the Group agreed to a second facility agreement with Macquarie Bank Limited for €32.5 million. The loan terminates on 17 January 2017. Amortisation is 1% p.a. for the first three years, subject to meeting an agreed business plan, with the remainder due in the fourth year. This is tested quarterly in arrears and if the business plan numbers are not achieved, Macquarie has the option to sweep the facilities' borrowers' rent collection accounts, applying any excess towards the loan balance with immediate effect and without penalty. The facility is charged interest at 6% plus three months' EURIBOR. This facility is secured over nine property assets and is subject to various covenants with which the Group has complied.

K-Bonds

On 1 August 2013, the Group agreed to a facility agreement with K-Bonds for €52 million. The loan consists of a senior tranche of €45 million and a junior tranche of €7 million. The senior tranche has a fixed interest rate of 4% p.a. and is due in one sum on 31 July 2023. The junior tranche has a fixed interest rate of 6% and terminates on 31 July 2020. The junior tranche is amortised at €1 million p.a. over a seven year period. This facility is secured over three properties and is subject to various covenants with which the Group has complied.

Convertible shareholder loan

On 22 March 2013, the Company issued €5.0 million convertible loan notes due in 2018 (the "Loan Notes"). The entire issue of €5.0 million has been taken up by the Karoo Investment Fund S.C.A. SICAVSIF and Karoo Investment Fund II S.C.A. SICAVSIF, 20.4% shareholders in Sirius. The Loan Notes were issued at par and carry a coupon rate of 5% p.a. The Loan Notes are convertible into ordinary shares of Sirius at the conversion price of €0.24 from 21 March 2014. The majority of the proceeds from the issue of the Loan Notes were used to reduce debt levels.

> Notes to the financial statements *continued* for the year ended 31 March 2015

20. Interest-bearing loans and borrowings *continued*

Convertible shareholder loan *continued*

A summary of the Group's debt covenants is set out below:

	Outstanding at 31 March 2015 €000	Property values at 31 March 2015 €000	Loan-to-value ratio at 31 March 2015	Loan-to-value covenant at 31 March 2015	Interest cover ratio at 31 March 2015	Debt service cover ratio at 31 March 2015	Cover ratio covenant at 31 March 2015
Berlin-Hannoversche Hypothekenbank AG/ Deutsche Pfandbriefbank AG	112,700	241,945	46.6%	60.0%	n/a	1.96	1.40
Berlin-Hannoversche Hypothekenbank AG	35,820	69,800	51.3%	60.0%	n/a	2.45	1.40
Macquarie Bank – Facility 1	25,696	52,506	48.9%	63.3%	2.05		1.75
						1.14	1.05
Macquarie Bank – Facility 2	30,118	81,432	37.0%	61.6%	2.75		1.90
						2.06	1.05
K-Bonds	51,000	81,392	62.7%	n/a	3.51	n/a	2.50
Unencumbered properties	—	18,551	n/a				
Total	255,334	545,626	46.8%				

21. Financial risk management objectives and policies

The Group's principal financial liabilities comprise bank loans, derivative financial instruments and trade payables. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables and cash, which arise directly from its operations.

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

Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The risk management policies employed by the Group to manage these risks are discussed below. In the event of a default by an occupational tenant, the Group will suffer a rental shortfall and incur additional costs, including expenses incurred to try and recover the defaulted amounts and legal expenses in maintaining, insuring and marketing the property until it is re-let. During the year, the Group monitored the tenants in order to anticipate and minimise the impact of defaults by occupational tenants, as well as to ensure that the Group has a diversified tenant base.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2015 €000	2014 €000
Trade receivables	3,591	4,545
Other debtors	5,532	6,833
Prepayments	325	1,570
Derivative financial instruments	73	678
Cash and cash equivalents	20,137	13,747
	29,658	27,373

21. Financial risk management objectives and policies *continued*

Credit risk *continued*

The ageing of trade receivables at the statement of financial position date was:

Group	Gross 2015 €000	Impairment 2015 €000	Gross 2014 €000	Impairment 2014 €000
Past due 0–30 days	**3,684**	**(1,214)**	4,466	(1,057)
Past due 31–120 days	**1,736**	**(892)**	1,268	(658)
More than 120 days	**1,914**	**(1,637)**	2,571	(2,045)
	7,334	**(3,743)**	8,305	(3,760)

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2015 €000	2014 €000
Balance at 31 March	**(3,760)**	(4,032)
Impairment loss released	**17**	272
Balance at 31 March	**(3,743)**	(3,760)

The allowance account for trade receivables is used to record impairment losses unless the Group believes that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly.

Most trade receivables are generally due one month in advance. The exception is service charge balancing billing, which is due ten days after it has been invoiced. Included in the Group's trade receivables are debtors with carrying amounts of €3,591,000 (2014: €4,545,000) that are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability but can also increase the risk of losses. The Group has procedures with the objective of minimising such losses, such as maintaining sufficient cash and other highly liquid current assets and having available an adequate amount of committed credit facilities. The Group prepares cash flow forecasts and continually monitors its ongoing commitments compared to available cash. Cash and cash equivalents are placed with financial institutions on a short-term basis which allows immediate access. This reflects the Group's desire to maintain a high level of liquidity in order to meet any unexpected liabilities that may arise due to the current financial position. Similarly, accounts receivable are due either in advance (e.g., rents, recharges) or within ten days (e.g., service charge reconciliations), further bolstering the Group's liquidity level.

The table below summarises the maturity profile of the Group's financial liabilities as at 31 March 2015 based on contractual undiscounted payments:

Year ended 31 March 2015	Bank and shareholder loans €000	Derivative financial instruments €000	Trade and other payables €000	Total €000
Undiscounted amounts payable in:				
Six months or less	**(8,652)**	**(361)**	**(25,862)**	**(34,875)**
Six months to one year	**(7,590)**	**(358)**	**—**	**(7,948)**
One to two years	**(69,646)**	**(641)**	**—**	**(70,287)**
Two to five years	**(166,035)**	**(1,108)**	**—**	**(167,143)**
Five to ten years	**(52,020)**	**—**	**—**	**(52,020)**
	(303,943)	**(2,468)**	**(25,862)**	**(332,273)**
Interest	**43,609**	**2,468**	**—**	**46,077**
	(260,334)	**—**	**(25,862)**	**(286,196)**

Notes to the financial statements *continued* for the year ended 31 March 2015

21. Financial risk management objectives and policies *continued*

Liquidity risk *continued*

Year ended 31 March 2014	Bank loans €000	Derivative financial instruments €000	Trade and other payables €000	Total €000
Undiscounted amounts payable in:				
Six months or less	(8,094)	(260)	(25,862)	(34,216)
Six months to one year	(7,011)	(256)	—	(7,267)
One to two years	(14,905)	(508)	—	(15,413)
Two to five years	(196,958)	(1,267)	—	(198,225)
Five to ten years	(54,900)	—	—	(54,900)
	(281,868)	(2,291)	(25,862)	(310,021)
Interest	50,816	2,291	—	53,107
	(231,052)	—	(25,862)	(256,914)

Currency risk

There is no significant foreign currency risk as most of the assets and liabilities of the Group are maintained in euros. Small amounts of UK sterling are held to ensure payments made in UK sterling can be achieved at an effective rate.

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's long-term floating rate debt obligations. The Group's policy is to mitigate interest rate risk by ensuring that a minimum of 80% of its total borrowing is at fixed or capped interest rates by taking out fixed rate loans or derivative financial instruments to hedge interest rate exposure, or interest rate caps.

A change in interest will only have an impact on the floating loans capped due to the fact that the other loans have a general fixed interest or they are effectively fixed by a swap. An increase in 100 basis points in interest rate would result in a decreased post tax profit in the consolidated statement of comprehensive income of €0.3 million (excluding the movement on derivative financial instruments) and a decrease in 100 basis points in interest yield would result in an increased post tax profit in the consolidated statement of comprehensive income of €0.3 million (excluding the movement on derivative financial instruments).

Market risk

The Group's activities are within the real estate market, exposing it to very specific industry risks.

The yields available from investments in real estate depend primarily on the amount of revenue earned and capital appreciation generated by the relevant properties as well as expenses incurred. If properties do not generate sufficient revenues to meet operating expenses, including debt service and capital expenditure, the Group's revenue will be adversely affected.

Revenues from properties may be adversely affected by the general economic climate, local conditions such as oversupply of properties or a reduction of demand for properties in the market in which the Group operates, the attractiveness of the properties to the tenants, the quality of the management, competition from other available properties and increased operating costs.

In addition, the Group's revenue would be adversely affected if a significant number of tenants were unable to pay rent or its properties could not be rented on favourable terms. Certain significant expenditures associated with each equity investment in real estate (such as external financing costs, real estate taxes and maintenance costs) are generally not reduced when circumstances cause a reduction in revenue from properties. By diversifying in product, risk categories and tenants, the Group expects to lower the risk profile of the portfolio.

Capital management

The Group seeks to enhance shareholder value both by investing in the business so as to improve the return on investment and by managing the capital structure.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issue shares or undertake transactions such as those that occurred with the internalisation of the Asset Management Agreement.

The Company holds 4,981,784 of its own shares which continue to be held as Treasury Shares. During the year 1,536,947 shares were issued from treasury and no shares were bought back.

The Group monitors capital using a gross debt to property assets ratio, which was 46.8% as at 31 March 2015 (2014: 50.9%).

The Group is not subject to externally imposed capital requirements other than those related to the covenants of the bank loan facilities.

22. Financial instruments

Fair values

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments that are carried in the financial statements:

	2015		2014	
	Carrying amount €000	Fair value €000	Carrying amount €000	Fair value €000
Financial assets				
Cash	**20,137**	**20,137**	13,747	13,747
Trade receivables	**3,591**	**3,591**	4,545	4,545
Derivative financial instruments	**73**	**73**	678	678
Financial liabilities				
Trade payables	**5,001**	**5,001**	5,318	5,318
Derivative financial instruments	**2,322**	**2,322**	174	174
Interest-bearing loans and borrowings:				
Floating rate borrowings	**35,814**	**35,814**	39,051	39,051
Floating rate borrowings – hedged	**76,350**	**76,350**	77,500	77,500
Floating rate borrowings – capped	**56,350**	**56,350**	57,500	57,500
Fixed rate borrowings	**91,820**	**91,094**	57,000	56,312

Fair value hierarchy

The table below analyses financial instruments measured at fair value into a fair value hierarchy based on the valuation technique used to determine fair value:

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

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 €000	Level 2 €000	Level 3 €000	Total €000
2015				
Derivative financial instruments	**—**	**(2,249)**	**—**	**(2,249)**
Fixed rate borrowings	**—**	**(91,904)**	**—**	**(91,904)**
2014				
Derivative financial instruments	—	504	—	504
Fixed rate borrowings	—	(56,312)	—	(56,312)

Interest rate risk

The following table sets out the carrying amount, by maturity, of the Group's financial instruments that are exposed to interest rate risk:

2015	Within 1 year €000	1–2 years €000	2–3 years €000	3–4 years €000	4–5 years €000	**Total €000**
Berlin-Hannoversche Hypothekenbank AG/ Deutsche Pfandbriefbank AG	(1,150)	(1,437)	(1,725)	(52,038)	—	**(56,350)**
Macquarie Bank loans	(483)	(35,331)	—	—	—	**(35,814)**
Cash assets	20,137	—	—	—	—	**20,137**

Notes to the financial statements *continued* for the year ended 31 March 2015

22. Financial instruments *continued*

Interest rate risk *continued*

2014	Within 1 year €000	1–2 years €000	2–3 years €000	3–4 years €000	4–5 years €000	Total €000
Berlin-Hannoversche Hypothekenbank AG/ Deutsche Pfandbriefbank AG	(1,150)	(1,150)	(1,437)	(1,725)	(52,038)	(57,500)
Macquarie Bank loans	(508)	(508)	(38,035)	—	—	(39,051)
Cash assets	13,747	—	—	—	—	13,747

The other financial instruments of the Group that are not included in the above tables are non-interest bearing or have fixed interest rates and are therefore not subject to interest rate risk.

23. Issued share capital

Authorised	Number of shares	Share capital €
Ordinary shares of no par value	Unlimited	—
As at 31 March 2015	**Unlimited**	**—**

Issued and fully paid	Number of shares	Share capital €
Ordinary shares of no par value		
Issued ordinary shares	525,419,038	—
Shares bought back and held in treasury	(25,576,824)	—
Issued Treasury Shares	19,058,093	—
As at 31 March 2014	518,900,307	—
Issued ordinary shares	109,901,495	—
Issued Treasury Shares	1,536,947	—
As at 31 March 2015	**630,338,749**	**—**

Holders of the ordinary shares are entitled to receive dividends and other distributions and to attend and vote at any general meeting.

On 5 December 2014, the Company conducted an equity raising through the issue of 105,263,158 ordinary shares of no par value, representing 20% the Company's issued share capital (excluding treasury shares) at that time. These shares were issued at a price of 38c per share, representing a nil premium to the prevailing share price to new and existing shareholders and ranking pari passu in all respects with existing issued shares of the Company including the right to receive all dividends and other distributions declared after admission of the shares to trading.

On 29 August 2014, the Company paid out a dividend of €0.30c per share, giving shareholders the option of cash or scrip dividend. Of the 520,437,254 participating shares, 180,938,053 shares (34.8%) chose scrip. The reference price for the scrip was €34.45c per share, resulting in the issue of 1,575,641 new shares.

On 31 December 2014, the Company paid out a dividend of €0.77c per share, giving shareholders the option of cash or scrip dividend. Of the 522,012,895 participating shares, 151,544,140 shares (29.0%) chose scrip. The reference price for the scrip was €38.10c per share, resulting in the issue of 3,062,696 new shares.

The Company holds 4,981,784 of its own shares which are held as treasury. During the year 1,536,947 shares were issued from treasury.

No shares were bought back in the year.

24. Other reserves

Other distributable reserve

The other distributable reserve was created for the payment of dividends and for the buyback of shares and is €384,937,000 in total at 31 March 2015 (2014: €349,978,000).

25. Dividends

The Group's profit attributable to the equity holders of the Parent Company for the year was €27.0 million (2014: €28.9 million). The Group recommenced the payment of a regular dividend, paying an initial dividend of 0.30c per share in August 2014 in connection with the year ended 31 March 2014 and a dividend of 0.77c per share on 31 December 2014 in relation to the year ended 31 March 2015. The Board has declared a final dividend of 0.84c per share for the remainder of the year ended 31 March 2015. The final dividend will be paid on 10 July 2015 with the ex-dividend dates being 8 June 2015 for shareholders on the JSE register and 11 June 2015 for shareholders on the LSE register. As has been reported previously both the interim and final dividends represent 65% of the Funds From Operations* for the first and second halves of the year ended 31 March 2015, respectively. It is intended that dividends will continue to be paid on a semi-annual basis and offered to shareholders in cash or scrip form.

* Recurring earnings after tax and before property revaluation, change in fair value of derivative financial instruments, depreciation, amortisation of debt arrangement fees, non-recurring costs and other non-cash items.

In line with this policy, the Board has declared a final dividend for the year ended 31 March 2015 of 0.84c per share, again providing the option of receiving scrip in lieu of the dividend. The dividend per share was calculated as follows:

	31 March 2015 €million	31 March 2014 €million
Reported PBT	**32.7**	31.0
Adjustments for:		
Gain on revaluation	**(25.4)**	(22.7)
(Profit)/loss of disposals	**(1.3)**	1.7
Non-recurring costs*	**3.8**	1.2
Change in fair value of derivatives	**2.8**	0.1
Recurring PBT	**12.6**	11.3**
Adjustments for:		
Depreciation	**0.9**	1.0
Amortisation of financing fees	**1.6**	1.3
Impact of disposed assets	**—**	(0.2)
Surrender premium	**—**	(1.7)
Current taxes incurred	**(0.8)**	(0.5)
Funds From Operations, year ended 31 March	**14.3**	11.2
Funds From Operations, six months ended 30 September	**6.2**	5.9
Funds From Operations, six months ended 31 March	**8.1**	5.3
Dividend pool	**5.3*****	
DPS	**0.84c**	

* Include the net effect of management LTIP rewards, costs for UK migration and gain resulting from ABN loan settlement.

** Recurring PBT €9.4m when adjusted for the surrender premium of €1.7 million received last year and for disposals.

***Calculated as 65% of Funds From Operations.

26. Related parties

Property management fee – Bremen Holzhafen

PCO Real Estate Asset Management Limited (formerly Principle Capital Sirius Real Estate Asset Management Limited), the former asset manager of the Company, had an agreement to assist in the management and advise on the sale of the property at Bremen Holzhafen, which expired in January 2014. No fees were paid in the current year (2014: €93,000).

Notes to the financial statements *continued* for the year ended 31 March 2015

26. Related parties *continued*

Property management fee – Bremen Holzhafen *continued*

On 22 March 2013, the Company issued €5.0 million convertible loan notes due in 2018 (the "Loan Notes"). The entire issue of €5.0 million was taken up by the Karoo Investment Fund S.C.A. SICAVSIF and Karoo Investment Fund II S.C.A. SICAVSIF, 20.4% shareholders in Sirius. The Loan Notes were issued at par and carry a coupon rate of 5% p.a. The Loan Notes are convertible into ordinary shares of Sirius at the conversion price of €0.24 from 21 March 2014. The majority of the proceeds from the issue of the Loan Notes were used to reduce debt levels. Interest on the Loan Notes was €250,000 in the year ended 31 March 2015 (2014: €257,000). The Directors consider that the terms of this transaction are fair and reasonable insofar as its shareholders are concerned.

On 1 October 2013, Andrew Coombs and Alistair Marks, both Executive Directors, acquired 762,489 and 704,700 ordinary shares in the Company respectively, pursuant to performance bonus agreements for the March 2014 financial year. The Executive Directors were liable to income tax and employees' national insurance contributions ("NICs") in respect of such acquisitions. To enable the Executive Directors to fund such income tax and NICs, the Company granted loans to Andrew Coombs in the amount of £77,747 (€94,068) and to Alistair Marks in the amount of £71,839 (€86,919). Both of these loans were repaid in March 2015. Interest on these loans was paid in full.

Key management personnel compensation

Fees paid to people or entities considered to be key management personnel of the Group during the year include:

	2015 €000	2014 €000
Directors' fees	**171**	142
Salary and employee benefits	**1,897**	1,437
Share-based payments	**2,966**	380
	5,034	1,959
Property management fee	**—**	93
Total	**5,034**	2,052

The share-based payments for the year ended 31 March 2015 include an accrual of €2,575,000 for the granting of shares under the LTIP (see note 8).

Information on Directors' emoluments is given in the remuneration report on pages 14 to 17.

A number of key management personnel, or their related parties, hold positions in subsidiaries of the Group that result in them having control or significant influence over the financial or operating policies of the Group.

27. Commitments

As at 31 March 2015, the Group had contracted capital expenditure on existing properties of €4,389,000 (2014: €4,067,000) and commitments of €744,000 (2014: €356,000) from office rental contracts. These were committed but not yet provided for in the financial statements.

28. Operating lease arrangements

Group as lessor

All properties leased by the Group are under operating leases and the future minimum lease payments receivable under non-cancellable leases are as follows:

	2015 €000	2014 €000
Less than one year	**42,302**	37,728
Between one and five years	**66,789**	61,288
More than five years	**12,674**	16,140
	121,765	115,156

The Group leases out its investment properties under operating leases. Most operating leases are for terms of one to ten years.

Corporate directory

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Registered number
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Company secretary and administrator
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consultancy, design and production by
designportfolio
design-portfolio.co.uk @WeAre_DP
Design Portfolio plants ten trees for each of its corporate report projects, in association with Trees for Cities.

Sirius facilities

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