



Who are we

Sirius Real Estate Limited (the “Group”, the “Company” or “Sirius”), is a real estate company with a portfolio of 38 mixed-use business parks across Germany, providing modern, flexible workspaces.



“The Company has made good progress during the year, demonstrated through the internalisation of the Asset Manager, increases in rental income, reduction in the overall cost base and the commencement of a selective disposal programme.”

➤ Read the Chairman’s statement by Robert Sinclair in full on **page 4**.

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For more information, news and investor relations, visit us online at www.siriusrealestate.com.

Highlights

Gross annualised rent roll

€45.3m

+3.9%



Average rate per sqm of new sales

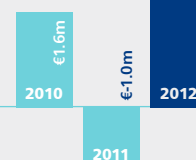
€5.24

+18.8%



Adjusted earnings*

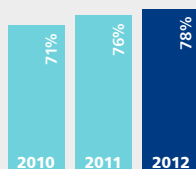
€2.9m



Occupancy

78%

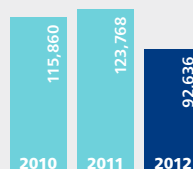
+2%



Moveouts (sqm)

92,636

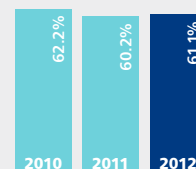
-25%



LTV

61.1%

+0.9%



Cash balance

€9.1m

Property portfolio**

€485.7m

New lettings

128,345sqm

Cost savings

€2.0m

The cost reduction programme has focused on managing service charge and utility costs and the reduction of central overheads.

Land disposals

€3.4m

Completed one and notarised two disposals which will generate €3.4m of proceeds and around €700,000 of profit. Notarised the sale of Munich Hofmannstrasse on 1 June 2012 for €6.85m.

Internalisation

€2.0m

Successful completion of management internalisation will substantially reduce the operating costs of the business.

Refinancing

ABN loan facility

Initial steps have been taken to refinance the ABN loan facility. Preliminary discussions with Berlin Hannoversche Hypothekenbank AG have started.

* Excluding property revaluation, change in fair value of derivative instruments, gain on disposal of properties and non-recurring costs of internalisation. Current year adjusted earnings include non-recurring write-down of prior year rent and service charge balances of €1.8m.

** After taking account of investment properties held for sale and lease incentive adjustments the value is €476.7m.

Our portfolio

Providing services and products to perfectly cater to our client's needs

Sirius has a diversified property portfolio of 38 Business Parks across Germany totalling 1.15m sqm of lettable space. We have a diverse range of clients and we understand they all have different needs.

Total portfolio split



Visit www.siriusfacilities.com for further information on all our properties.

Sirius Business Park Berlin Templehof

Current size

25,228sqm

Occupancy

72.71%

+5%

2011: 67.95%

Rate per sqm

€4.11

+5%

2011: €3.92

Tenants

83

"We are very happy with our rental space and we would recommend Sirius Business Park Berlin Templehof to any other business. The office layout and the size of the storage is perfect for our needs. The fact that Sirius put staff on the site really helps us, in particular the centre manager is always there to assist us. In the future when we expand our business we would like to stay with Sirius."

Nancy Künkel
Sunrise Advertising



Sirius Business Park Berlin Gartenfeld

Current size

30,259sqm

Occupancy

90.22%

-2%

2011: 91.93%

Rate per sqm

€4.40

+4%

2011: €4.25

Tenants

60

"Our cooking studio at Sirius Business Park Berlin-Gartenfeld was created in 2008 and together with the park improvements made by Sirius it has become a fantastic location for events, classes and catering. Your staff has shown enthusiasm and professionalism towards every client, and has proven to us that we made the right choice with Sirius."

Roberto Enßlen
Das Event - Kochstudio



Munich Rupert-Mayer-Strasse

Current size

71,221sqm

Occupancy

73.98%

-3%

2011: 77.24%

Rate per sqm

€6.66

+5%

2011: €6.33

Tenants

58

"GKN Aerospace has a state of the art production facility at Sirius Facilities München Neuaubing. Since Sirius took over the business park in 2007 we have seen great improvements in our working environment; Accommodation at GKN Aerospace has been recently invested and the site overall has been enhanced. The level of service and professionalism at the park has been exceptional and we look forward to a continued level of service."

Markus Fischbacher
GKN Aerospace Deutschland GmbH



Chairman's statement



Robert Sinclair
Chairman

Summary

- The internalisation is expected to reduce the Group's costs by €2.0m per annum.
- The overall objective is to reduce borrowings through a selective disposal programme.
- The focus on tenant retention has been successful as moveouts have reduced by 31,132 sqm.
- Good progress on refinancing some of the assets within the ABN financed portfolio.

Introduction

I am pleased to announce the Group's full year results for the year to 31 March 2012. The Company has made good progress during the year, demonstrated through the internalisation of the Asset Manager, increases in rental income, reduction in the overall cost base and the commencement of a selective disposal programme.

The process of internalising the Asset Manager included a review of the Company's property portfolio and the implementation of the next stage of the Sirius business strategy. The primary objectives continue to be to improve profitability and strengthen the Company's financial base as well as optimising the portfolio through disposal of non-core and mature assets. The internalisation is expected to reduce the Group's costs by €2.0m per annum going forward, which when combined with the cost reduction programme that commenced two years ago, will produce an overall €7.7m improvement in non-recoverable costs from the run rate in January 2010. In addition, management believe that there is still scope to reduce non-recoverable costs and overheads further.

The debt facility with ABN Amro Bank N.V. ("ABN") of €91.2m is due for repayment by October 2012 and the facility with Berlin Hannoversche Hypothekenbank AG ("BerlinHyp") matures in stages between March 2013 and December 2013. The management team are currently in discussions with a number of different financiers to refinance the core assets within the ABN portfolio, while the non-core assets are being marketed for sale. The Company is also already in negotiations with BerlinHyp to refinance the BerlinHyp debt facilities for which good progress is being made.

The Company's overall objective is to reduce borrowings through a selective disposal programme of non-core and more mature assets whilst ensuring that the Company generates sufficient cash flow to support a programme of continued investment into the core portfolio. Although operating cash flows have improved significantly and are forecast to continue improving, the Company's current annual cash flow from operating activities is not able to fully cover its debt amortisation obligations and further capex plans, so cash is key while capital is being recycled from mature and non-core sites. To date, good progress has been made on this plan, with the sale of the Munich Hofmannstrasse site notarised in May which is expected to reduce debt by €4m and generate €3m surplus cash, in addition to the sale of three land and building packages which are just about complete and will reduce debt by nearly €3m and provide €0.5m surplus cash. As such, the Board is confident that the Company's management team will be successful with its disposal and refinancing strategies and looks forward to seeing further improvements in the Company's results.

“The primary objectives continue to be to improve profitability and strengthen the Company’s financial base as well as optimising the portfolio through disposal of non-core and mature assets.”

Financial

Total income for the year was €45.7m (2011: €45.6m). In the prior year we received €1.9m of surrender premiums paid by tenants vacating early which we did not have the benefit of in the year under review. As at 31 March 2012, the annualised gross rent roll was €45.3m (2011: €43.6m), over a total lettable area of 1,151,167 sqm. The improvement in rental income has come primarily from higher rental rates on new sales where the average rates achieved in the period increased from €4.41 last year to €5.24 per sqm. In addition, the Company’s focus on tenant retention has been successful as moveouts have reduced by 31,132 sqm compared to last year.

As at 31 March 2012 occupancy was 78% (31 March 2011: 76%), the improvement coming from another good year of 128,345 sqm of new lettings coupled with the improved tenant retention already mentioned.

The Company’s recurring EBITDA increased to €21.4m (2011: €20.7m excluding write-offs from prior periods).

Whilst the loss for the year attributable to owners of the Company was €31.2m (2011: profit €2.5m), the recurring adjusted earnings before tax was €2.9m (2011: loss of €1.0m). This improvement has been achieved without the €1.9m of surrender premiums received last year plus the profit for the period under review was reduced by €1.8m of write-offs of old service charge and legal debtors (2011: €3.0m). When these factors are considered, the recurring profit improvement achieved this year is a significant improvement on last year’s.

The adjusted EPS excluding property revaluation, change in fair value of derivative financial instruments and non-recurring costs was 0.91c (2011: (0.61c)).

The Company’s cash reserves at the period end were €9.1m (2011: €23.6m). As at 31 March 2012, the Company’s borrowings, excluding capitalised loan costs, totalled €295.6m (2011: €304.3m), representing an LTV of 61.1% on DTZ’s latest valuation at 31 March 2012 (2011: 60.2%). Both banking facilities are operating within covenants with the facility with ABN Amro Bank N.V (“ABN”) maturing in October 2012.

As mentioned above, the facility provided by ABN with an outstanding balance of €91.2m expires on 15 October 2012 and is secured over 16 properties. The Group’s management are in negotiations with ABN about a combination of disposing of and refinancing the properties secured under the facility, in order to repay the loan facility by maturity. The progress made on this plan to date is as follows:

- Three pieces of property which form part of the properties financed by ABN have been sold or notarised at prices in excess of DTZ valuations generating close to €3.5m of which €3m will be repaid to ABN.

- The disposal of the property at Munich Hofmannstrasse has been notarised for €7m of which €4m will be repaid to ABN and €3m will be released to the Group.
- ABN has verbally agreed at this stage to release three properties from the facility for immediate refinancing. Advanced discussions with several banks have taken place to finance these properties plus three unencumbered assets in order to repay €29m to ABN as well as generate free cash for the Group.
- The Group’s management has been active in marketing the remaining twelve properties within the ABN facility. The initial interest for these assets is encouraging and the Board is confident that these assets will be sold or refinanced in the near future.

The Directors are of the view that should the Group fail to refinance or sell the properties secured over the ABN loan facility or should ABN enforce its security against the Group, the loss of income generated from these properties will reduce the overall level of profitability of the Group by approximately €1m per annum.

The loan facility with BerlinHyp matures in stages between March 2013 and December 2013. The Directors have commenced negotiations with BerlinHyp concerning refinancing of the loan facility on the basis that the business continues in its current form following the internalisation in January 2012. At this stage there has been no indication from BerlinHyp that the refinancing of the existing loan facility will not be successful.

Based on its current strategy, following internalisation and the improvements in profit generated by the management team over the last two years, the Directors anticipate that the Group will be able to generate sufficient cash from operations over the next 18 months to service its debts including amortisation assuming that the refinancing and disposal of properties occurs in the expected timeframe.

NAV

As at 31 March 2012, the portfolio was valued independently by DTZ Zadelhoff Tie Leung GmbH at €485.7m (31 March 2011: €505.5m). The reduction in valuation has come even though rental income and non-recoverable costs have significantly improved during the year. It is believed that the main reason for the fall in valuation is therefore due to DTZ taking a more negative stance towards the German economy. Of these assets, the €7m Munich Hofmannstrasse asset has been reclassified to “assets for sale” in the accounts. In addition, a further negative adjustment of €2m was processed to the portfolio valuation to reflect the IFRS accounting adjustment to recognise rent free discounts over the length of the lease.

Chairman's statement continued

"The business is better positioned following the internalisation of the Asset Manager and we now have a clear plan for taking the business forward."

NAV continued

The portfolio, including vacant space, is valued on an average net initial yield of 7.9% (2011: 7.0%) and an average capital value per sqm of €421 (2011: €438).

The adjusted net asset value per share, which excludes the provisions for deferred tax and derivative financial instruments, was 62.10c as at 31 March 2012 (31 March 2011: 72.9c). The Company issued 15 million new shares as part of the consideration for internalisation which reduced the Company's adjusted NAV per share by 3.2c.

Dividend

At this stage, the focus remains on increasing rental income and reducing the cost base of the business so that the Company can return to paying dividends in due course. We will continue to review this policy and expect to reinstate a progressive dividend once it is prudent to do so.

Asset management

The operating platform that has been created by the asset management team led by Andrew Coombs and Alistair Marks is really starting to create value for shareholders. This is evidenced by the significant improvements in rental income and non-recoverable costs over the last two years despite the backdrop of challenging economic conditions. We are pleased that the internalisation of this team is now complete and are confident that we will see further increases in rental income and profitability from the assets under management. In addition, the team is making good progress with the asset disposal programme and on refinancing some of the assets within the ABN financed portfolio which matures later this year.

As previously announced, the Company sold in the period a parcel of land at the Bremen Brinkmann site and part of one of the sites in Bonn which will generate close to €2.5m of proceeds and around €700,000 of profit. In addition, the sales of another building at the Bonn site and the Munich Hofmannstrasse site have been notarised for €900,000 and €6,845,000 respectively. The Hofmannstrasse disposal has been achieved with the support of PCO Real Estate Asset Management Ltd in line with the Advisory Services Agreement that was one of the terms of internalisation.

The asset management report provides a more detailed analysis of the key achievements during the period under review.

Prospects and outlook

Whilst GDP figures in the first quarter of 2012 have shown steady growth in the Germany economy, the wider difficulties in the Eurozone make economic forecasting difficult. Our experiences indicate that the German SME market remains resilient with demand for flexible work space reasonably constant.

There is no doubt that the business is better positioned following the internalisation of the Asset Manager and we now have a clear plan for taking the business forward. Occupancy is moving up and we are confident of maintaining this trend. The Group's cost base is now securely under control and we are successfully selling individual sites and land parcels to strengthen our financial position. Working capital management is a key priority for the management team as the current level of operating cash flow, although improving, is insufficient to meet contractual debt amortisation obligations and fund capital expenditure necessary to continue improving the value of the estate. The approaching maturity of the ABN debt facility is receiving appropriate attention from the management team and the Board remains confident that the plan in place to deal with the loan maturity will be implemented successfully.

Trading since the period end is in line with management's expectations.



Robert Sinclair
Chairman

Asset Manager's report



Andrew Coombs
CEO
Sirius Facilities GmbH

Summary

- Continue to generate a high level of monthly sales enquiries.
- Reduced the irrecoverable service charge costs from a run rate of more than €12.0m in January 2010 to under €8m.
- Shift in focus towards achieving higher yields.
- Continued demand from the German SME sector for flexible workspace solutions.

Asset management

We have made good progress on all the main drivers to improving the Company's profitability. Rental income has increased through the combination of another strong lettings year with a significant reduction in the levels of tenants vacating. Ancillary income achieved from conferencing and catering continues to grow. Recovery of costs has improved despite significant increases in utilities prices through the whole of Germany and the Company's overheads have further decreased through active management. The improvement in profitability was held back by the non-collectability of some old service charge and legal debtors, resulting in a €1.8m write-off to the current year's income statement.

The transformation of the asset management team to become a wholly owned part of Sirius has been a relatively seamless process and will bring further benefits to the Group over the next twelve months.

Marketing

We continue to generate a high level of monthly sales enquiries which now consistently run at over 1,000 per month.

We have worked hard to achieve this level of continued interest and it has been driven by the expansion of the sales and marketing team in 2010, the effectiveness of the Company's online marketing activities and web portals and the continued growth in the reputation and understanding of the Sirius brand and its offerings to SME customers.

Our ability to meet the needs of small and large tenants alike differentiates us from many of our competitors. The long-term stable income we receive from our core larger tenants provides the platform and security to generate high yielding income from the short-term flexible space. The variety of small, flexible space available is proving attractive to the SME market which form the bulk of our tenant base. Our current conversion rate shows that one in two enquiries result in a viewing and one in five viewings result in a sale. The high number of enquiries coupled with the current conversion rate has been the main driver of the occupancy improvements over the last two years. We continue to be one of the biggest established providers of mixed-use flexible space in Germany and our ability to let the more difficult spaces in the current market conditions is testament to the quality of the sales and marketing division that we have created.

New lettings and renewals

Occupancy has increased to 78% in the year, up from 76% at the start of the financial year. This increase has been driven by the new sales of 128,345 sqm at €5.24 per sqm (2011: 159,292 sqm at €4.41 per sqm) and is also due to lower moveouts

Asset Manager's report continued

"The programme to reduce the cost base of the business with particular focus on the service charge area has produced excellent results for shareholders with further improvements expected in the next few years."

New lettings and renewals continued

of 92,636 sqm in the period compared to 123,768 sqm in the previous year. The driver of rental income growth this year has been the higher rate achieved on the new lettings and this is reflective of our shift in focus towards achieving higher yields. Despite the economic conditions, we have achieved these higher rates and it stands to prove the success of the business model.

Increasing occupancy and rental rates will continue to be at the heart of the Company's strategic plans going forward. Another year of more than 125,000 sqm of new sales is not only indicative of the Company's successful marketing activities but also the continued demand from the German SME sector for flexible workspace solutions. Demand has come from a broad mix of light industrial, logistics, office and storage users. In addition, we have been able to maximise portfolio yields from Smartspace, a highly flexible solution generally for young businesses, Flexilager, a low cost storage solution, and the growing demand for conferencing facilities. These products only represent a small part of the portfolio but the rates achieved are significantly higher than conventional lettings.

Post the year end, during April and May, we achieved new lettings of 14,902 sqm with an average rate psm in excess of €5.95.

Early engagement levels with all tenants has been a key focus of the asset management team, with every tenant now allocated to a relationship manager and all renewal discussions commencing well in advance of the renewal date. This additional focus has been the catalyst of an increase in the number of tenants renewing (at higher rates) and the reduced level of moveouts in the period compared to the previous two years. Over the next twelve months to March 2013, €12.7m of the rent roll is due for renewal.

Portfolio analysis

The average monthly rental rate achieved across the portfolio now stands at €4.21 per sqm (2011: €4.13 per sqm). Our tenant base (excluding Smartspace tenants) consists of 1,327 tenants occupying 894,000 sqm with an average lease length to the first break option of three years. There is a broad mix of tenants within the portfolio but the core base of secure long-term income from our larger tenants remains. Our top ten tenants occupy 31.89% of the total space and produce 30.93% of total rental income.

There is further scope to improve the portfolio however there are a number of assets which are either non-core or are mature enough to consider selling. The full value from investments of the past has not yet been fully realised mainly because of the difficult economy within which we have had to operate. However there is enough evidence from the results over the last two years to confirm that there is a healthy appetite for the Sirius products.

Overheads

€11.0m **-25.1%**

2010: €14.7m

Average rate of new sales

€5.24 **+18.8%**

2011: €4.41

Gross annualised rent roll

€45.3m
+3.9%



Occupancy

78%
+2%

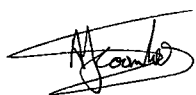


Looking ahead, the trends from 2011 have broadly continued. We are aware that four of our larger tenants who currently occupy circa 16,000 sqm are expected to move out before the end of the calendar year but we are hopeful that we can continue to push the level of occupancy and rental rate received from tenants even further.

Cost improvements and service charge recoveries

The programme which commenced in 2010 to reduce the cost base of the business with particular focus on the service charge area has produced excellent results for shareholders with further improvements expected in the next few years. Overall we have reduced the irrecoverable service charge costs from a run rate of more than €12.0m in January 2010 to under €8m now. In addition, the Company's overheads (excluding bad debts) have reduced from €14.7m in the year to March 2010 to a current run rate of €11.0m. As mentioned above, €2.0m of the savings has come from the internalisation but the rest has come from a conscious focus of the asset management team.

The recovery of service charge has improved significantly over the last two years through cost optimisation and considerable improvements in the measuring and allocation techniques used. The benefits have come despite large increases in utilities prices over the last 18 months which have delayed even further progress in this area. Going forward, the team remain confident that further improvements are available and that this will remain one of the Company's highest priorities.



Andrew Coombs
CEO

Key events in the past twelve months

July 2011:

34,200 sqm lease extended for 10 years with GKN Aerospace at Munich Neuaubing



September 2011:

Sale agreed for two disposals generating €2.5m of proceeds

January 2012:

Internalisation completed generating estimated cost savings of €2m

March 2012:

Sale notarised for Car Glass development at Bonn Beuel generating €900k of proceeds



Board of Directors



Robert Sinclair
(Non-executive Chairman), aged 62

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.



Ian Clarke
(Non-executive Director), aged 46

Ian Clarke has over 20 years' experience in the finance industry in Guernsey including wealth management, the administration of international trusts, corporate entities and regulated funds. Most recently the managing director of a fund administrator in Guernsey, he has sat on the boards of several funds, some of which have been listed on recognised Stock Exchanges.



Rolf Elgeti
(Non-executive Director), aged 35

Rolf Elgeti is currently chief executive of TAG Immobilien AG, a German listed real estate group with circa €3 billion of assets under management 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. Mr Elgeti graduated with an MBA from the University of Mannheim, Germany, and received an MBA from ESSEC, Paris, in 1999.



Wessel Hamman
(Non-executive Director), aged 39

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.



Walter Hens
(Non-executive Director), aged 64

Walter Hens has over 38 years' experience in the European real estate sector, including 20 years with SEGRO plc where he most recently held the positions of European managing director and group executive director. Walter was responsible for Segro's European operations from 2003 to 2007 during which time the company built up a major pan-European portfolio, including a number of major acquisitions in Germany. Walter is a Fellow of the Royal Institution of Chartered Surveyors.



Shelagh Mason
(Non-executive Director), aged 52

Shelagh Mason is a resident of Guernsey. She is an English property solicitor with over 30 years' experience in commercial property. She is currently a partner in Spicer and Partners Guernsey LLP specialising in English commercial property. She holds numerous positions on boards as non-executive director, as well as being a past chairman of the Guernsey branch of the Institute of Directors and a member of the Chamber of Commerce and the Guernsey International Legal Association.



Charles Parkinson
(Non-executive Director), aged 58

Charles Parkinson was the Minister of Treasury and Resources in Guernsey from 2008 until 2012. After graduating from Cambridge he qualified as a Chartered Accountant and was then called to the Bar in London. He was an executive in the Corporate Finance division of Morgan Grenfell (now Deutsche Bank) before returning to Guernsey. He holds several non-executive directorships in investment and property companies.



Amanda Spring
(Non-executive Director), aged 41

Amanda Spring is based in Budapest, Hungary and has a wealth of experience in the multi-let sector having previously been Director of Central Europe at TeeslandiOG and prior to that having responsibility for the asset management of their mainland Europe funds. Prior to this she was Managing Director of DTZ's Moscow office.



Justin Schaefer
(Non-executive Director), aged 25

Justin Schaefer is an investment analyst at Weiss Asset Management LP, where he has worked since 2008. Prior to Weiss, Justin graduated from the Massachusetts Institute of Technology in Cambridge, MA.

Remuneration report

The Company has entered into a letter of appointment with each of the Directors. Each letter provides for the Director to act as a Non-executive Director of the Company.

During the period the Directors were entitled to receive the full annual emoluments in the form of fees. The following fees were received by the Directors:

	Year ended 31 March 2012 €	Year ended 31 March 2011 €
Richard D. Kingston	28,836	100,000
Christopher N. Fish	11,034	30,000
Robert A.G. Sinclair	80,212	40,000
Wessel J. Hamman	—	—
Ian G. Clarke	8,203	—
Shelagh Y. Mason	20,507	—
Walter E.R. Hens	50,000	50,000
Charles N.K. Parkinson	27,342	—
Rolf Elgeti	20,568	—
Amanda Spring	20,568	—
Eitan Milgram	—	—
Justin M.Schaefer	—	—
Total	267,270	220,000

Directors' report

The Directors submit their report with the audited financial statements for the year ended 31 March 2012. A review of the Group's business and results for the year is contained in the Chairman's statement and the Asset Manager'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 2012, 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 flexible workspace in Germany.

Results for the year

These results are set out in the consolidated statement of changes in equity on page 18.

The Group's loss attributable to the equity holders of the Parent Company for the year was €31.2m (2011: profit €2.5m). In order to sustain investment in the portfolio, whilst also ensuring that cash resources are preserved, the Board has proposed not to pay a dividend for the year ended 31 March 2012.

Going concern

The accounts have been prepared on a going concern basis despite the uncertainties in the business, see the basis of preparation, note 2, for further details. An emphasis of matter has been included in the auditor's opinion on page 15.

Valuation and net assets

(i) Valuation

DTZ Zadelhoff Tie Leung GmbH valued the Group's investment properties at €485.7m as at 31 March 2012 (2011: €505.5m). After adjusting investment properties reclassified as held for sale and lease incentive accounting the value of investment properties is shown as €476.8m 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 2012 and the net assets of the Group at that date amounted to €181.3m (2011: €210.0m).

Directors

	Date appointed	Date resigned
Richard D. Kingston	11 April 2007	15 July 2011
Christopher N. Fish	11 April 2007	12 August 2011
Robert A.G. Sinclair	11 April 2007	—
Walter E.R. Hens	18 February 2010	—
Wessel J. Hamman	17 May 2011	—
Ian G. Clarke	26 July 2011	—
Shelagh Y. Mason	26 July 2011	—
Charles N.K. Parkinson	26 July 2011	—
Rolf Elgeti	26 July 2011	—
Amanda Spring	26 July 2011	—
Eitan Milgram	26 July 2011	15 November 2011
Justin M. Schaefer	15 November 2011	—

Robert Sinclair was appointed as Chairman on 15 July 2011.

Charles Parkinson is the Chairman of the Audit Committee.

Substantial shareholders

At 24 April 2012, 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 S.C.A. SICAV-SIF	79,265,402	24.99
Weiss Asset Management LP	48,183,804	15.99
Frank and Kevin Oppenheim	31,164,580	9.83
Laxey Partners (UK) Limited	30,342,071	9.56
Principle Capital Investment Trust plc	25,000,000	7.88

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 22 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 the 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 Company 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 Charles Parkinson. The Audit Committee may examine any matters relating to the financial affairs of the Group and 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 five Directors, Charles Parkinson, Robert Sinclair, Walter Hens, Shelagh Mason and Ian Clarke. 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 four Directors, Wessel Hamman, Robert Sinclair, Walter Hens and Shelagh Mason. It determines the terms and conditions of the employment and annual remuneration of the senior management and other senior employees of the business. To do this it consults with senior management, takes into consideration external data and has access to external professional advice.

Directors' report continued

Corporate governance continued

Remuneration Committee continued

The key policy objectives of the Remuneration Committee in respect of the Company's senior management and other senior employees 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.

Property Committee

The Board has appointed a Property Committee as a sub-committee of the Board to deal with property related issues. The committee comprises four Directors Wessel Hamman, Justin Schaefer, Amanda Spring and Walter Hens. The key policy objective of the Property Committee is to work with senior management on the strategy for refinancing and disposing of properties in the Group and to advise the Board on the course of action to implement.

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

15 June 2012

Independent auditors' report

to the members of Sirius Real Estate Limited

We have audited the Group financial statements (the "financial statements") of Sirius Real Estate Limited (the "Company" and "the Group") for the year ended 31 March 2012 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the statement of Directors' responsibilities set out on page 13, 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. 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 2012 and of its loss 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.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 2 to the financial statements concerning the possible outcome of the negotiations with Berlin Hannoversche Hypothekenbank AG to refinance the Group's facilities that expire between March and December 2013. The outcome of such negotiations, and the availability of sufficient future finance to the Group, is uncertain. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The ultimate outcome of this matter cannot be presently determined and therefore no adjustment has been made in the financial statements to reflect this matter.

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
15 June 2012

Consolidated statement of comprehensive income

for the year ended 31 March 2012

	Notes	Year ended 31 March 2012 €000	Year ended 31 March 2011 €000
Gross rental income	5	45,745	45,568
Direct costs	6	(20,153)	(22,922)
Net rental income		25,592	22,646
Deficit on revaluation of investment properties	13	(27,349)	(367)
Administrative expenses	6	(5,650)	(4,141)
Other expenses	6	(2,247)	(2,175)
Operating (loss)/profit		(9,654)	15,963
Finance income	9	135	126
Finance expense	9	(17,665)	(17,832)
Change in fair value of derivative financial instruments		(4,575)	5,184
Gain on disposal of properties		645	—
(Loss)/profit before taxation		(31,114)	3,441
Taxation	10	(611)	(711)
(Loss)/profit for the year		(31,725)	2,730
(Loss)/profit attributable to:			
Owners of the Company		(31,248)	2,519
Non-controlling interests		(477)	211
(Loss)/profit for the year		(31,725)	2,730
Earnings per share			
Basic and diluted, for (loss)/profit for the year attributable to ordinary equity holders of the Parent Company	11	(10.25)c	0.83c

The notes on pages 20 to 40 form an integral part of these financial statements.

Consolidated statement of financial position

as at 31 March 2012

	Notes	2012 €000	2011 €000
Non-current assets			
Investment properties	13	476,780	505,500
Plant and equipment	15	3,438	4,679
Goodwill	16	3,738	—
Total non-current assets		483,956	510,179
Current assets			
Trade and other receivables	18	9,704	7,272
Prepayments		339	233
Derivative financial instruments		4	165
Cash and cash equivalents	19	9,145	23,583
Investment property held for sale	14	9,340	—
Total current assets		28,532	31,253
Total assets		512,488	541,432
Current liabilities			
Trade and other payables	20	(20,634)	(17,162)
Interest-bearing loans and borrowings	21	(189,333)	(7,669)
Current tax liabilities		(65)	(707)
Derivative financial instruments		(13,858)	(9,444)
Total current liabilities		(223,890)	(34,982)
Non-current liabilities			
Interest-bearing loans and borrowings	21	(105,214)	(294,546)
Deferred tax liabilities	10	(2,115)	(1,924)
Total non-current liabilities		(107,329)	(296,470)
Total liabilities		(331,219)	(331,452)
Net assets		181,269	209,980
Equity			
Issued share capital	24	—	—
Other distributable reserve		303,625	300,111
Retained earnings		(122,398)	(91,150)
Total equity attributable to the equity holders of the Parent Company		181,227	208,961
Non-controlling interests		42	1,019
Total equity		181,269	209,980

The financial statements on pages 16 to 19 were approved by the Board of Directors on 15 June 2012 and were signed on its behalf by:



Robert Sinclair
Director

The notes on pages 20 to 40 form an integral part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 March 2012

	Issued share capital €000	Other distributable reserve €000	Retained earnings €000	Total equity attributable to holders of the Parent Company €000	Non- controlling interests €000	Total equity €000
As at 31 March 2010	—	300,111	(93,669)	206,442	808	207,250
Total comprehensive income for the year						
Profit for the year	—	—	2,519	2,519	211	2,730
As at 31 March 2011	—	300,111	(91,150)	208,961	1,019	209,980
Total comprehensive income for the year						
Loss for the year	—	—	(31,248)	(31,248)	(477)	(31,725)
Transactions with owners of the Company, recognised directly in equity						
Treasury shares issued	—	3,187	—	3,187	—	3,187
Acquisition of non-controlling interest	—	263	—	263	(500)	(237)
Share-based payment transactions	—	64	—	64	—	64
As at 31 March 2012	—	303,625	(122,398)	181,227	42	181,269

The notes on pages 20 to 40 form an integral part of these financial statements.

Consolidated cash flow statement

for the year ended 31 March 2012

	Notes	Year ended 31 March 2012 €000	Year ended 31 March 2011 €000
Operating activities			
(Loss)/profit before tax		(31,114)	3,441
Gain on sale of properties		(645)	—
Share-based payments		64	—
Deficit on revaluation of investment properties	13	27,349	367
Change in fair value of derivative financial instruments		4,575	(5,184)
Depreciation	6	853	881
Finance income	9	(135)	(126)
Finance expense	9	17,665	17,832
Cash flows from operations before changes in working capital		18,612	17,211
Changes in working capital			
(Increase)/decrease in trade and other receivables		(1,971)	4,665
Increase in trade and other payables		2,556	3,080
Taxation paid		(833)	(121)
Cash flows from operating activities		18,364	24,835
Investing activities			
Costs of internalisation of the Asset Management Agreement		(1,337)	—
Cash acquired in companies internalised		409	—
Development expenditure		(7,390)	(9,303)
Purchase of plant and equipment		(364)	(901)
Proceeds on disposal of properties		1,074	—
Proceeds on disposal of plant and equipment		—	56
Interest received		135	126
Cash flows used in investing activities		(7,473)	(10,022)
Financing activities			
Proceeds from loans		—	2,490
Repayment of loans		(8,743)	(9,121)
Finance charges paid		(16,586)	(18,000)
Cash flows from financing activities		(25,329)	(24,631)
Decrease in cash and cash equivalents		(14,438)	(9,818)
Cash and cash equivalents at the beginning of the year		23,583	33,401
Cash and cash equivalents at the end of the year	19	9,145	23,583

The notes on pages 20 to 40 form an integral part of these financial statements.

Notes to the consolidated financial statements

for the year ended 31 March 2012

1. General information

Sirius Real Estate Limited (the "Company") is a company incorporated and domiciled in Guernsey whose shares are publicly traded on AIM.

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 2012.

The principal activity of the Group is the investment in and development of commercial property to provide flexible workspace in Germany.

2. Significant accounting policies

(a) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for: investment properties 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.

Going concern

The Group's business activities, financial position including borrowing facilities and factors likely to affect its future development are described in the Chairman's statement and Asset Manager's report on pages 4 to 9. In addition, note 22 to the financial statements includes the Group's objectives and policies for managing its capital, credit risk, currency risk, liquidity risk and interest rate risk.

As described in the Chairman's statement on page 6, the current economic environment is difficult and the Group has reported a loss before tax for the year of €31.1m and net current liabilities of €195.4m. The Group's property portfolios are mainly funded by external debt facilities. The loan facility with the ABN Amro Bank N.V. ("ABN") of €91.2m matures in October 2012 and the loan facility with Berlin Hannoversche Hypothekenbank AG of €204.4m matures in stages between March 2013 and December 2013. The Directors consider that the outlook presents some challenges in terms of refinancing the Group's existing loan facilities and realising cash by disposing of non-core and mature assets and will therefore be regularly reviewing the strategy in place to achieve this. In particular, the Directors continue to discuss with the larger shareholders the challenges of achieving both the realisation of assets and the required loan refinancing. Whilst the Directors have instituted measures to preserve cash and secure additional finance, these circumstances create uncertainties over future cash flows.

The Directors note the following in their deliberations on whether the going concern basis is appropriate for the financial statements:

Loan facility with Berlin Hannoversche Hypothekenbank AG

The loan facility with Berlin Hannoversche Hypothekenbank AG matures in stages between March 2013 and December 2013. The Directors have commenced negotiations with Berlin Hannoversche Hypothekenbank AG concerning refinancing of the loan facility on the basis that the business continues in its current form following the internalisation in January 2012, with only limited property realisations. At this stage there has been no indication from Berlin Hannoversche Hypothekenbank AG that the refinancing of the existing loan facility on this basis will not be successful. The cash balance at 31 March 2012 was €9.1m. Based on its current strategy, following internalisation and the improvements in profit generated by the management team over the last two years, the Directors anticipate that the Group will be able to generate sufficient operating profit over the next 18 months to service its debts including amortisation assuming the refinancing and disposal of properties occurs in the expected timeframe.

Loan facility with ABN

The facility provided by ABN with an outstanding balance of €91.2m expires on 15 October 2012. This loan is secured over 16 properties which are ring-fenced from the other assets and liabilities within the Group. Should the Group be unable to repay the outstanding balance by 15 October, the bank may enforce its security over those assets but this would have no impact on the remainder of the Group.

The Group's management are in negotiations with ABN about a combination of disposing of and refinancing the properties secured under the facility, in order to repay the loan facility in full by the facility expiry date. The progress made on this plan to date is as follows:

- three pieces of property which form part of the properties financed by ABN have been sold at prices in excess of DTZ valuations generating close to €3.5m of which €3m will be repaid to ABN;
- the disposal of the property at Munich Hofmannstrasse has been notarised for €7m of which €4m will be repaid to ABN and €3m will be released to the Group;
- ABN has agreed at this stage to release three properties from the facility for immediate refinancing. Advanced discussions with several banks have taken place to finance this portfolio plus three unencumbered assets in order to repay €29m to ABN as well as generate free cash of circa €7m for the Group; and
- the Group's management has been active in marketing the remaining twelve properties within the ABN facility. The initial interest for these assets is encouraging and the Board are confident that these assets will be adequately sold or refinanced before the facility expiry date.

2. Significant accounting policies continued

Loan facility with ABN continued

The Directors are of the view that should the Group fail to refinance or sell the properties secured over the ABN loan facility or should ABN enforce its security against the Group, the loss of income generated from these properties will reduce the overall level of profitability of the Group by approximately €1m per annum.

The Directors have concluded that the combination of these circumstances represents a material uncertainty that casts some doubt upon the Group's ability to continue as a going concern and that, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, after making enquiries and considering the uncertainties described above, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

(b) Statement of compliance

The consolidated financial statements which 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 15 June 2012.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Sirius Real Estate Limited and its subsidiaries as at 31 March 2012. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

All intra-group balances and transactions and any unrealised income and expenses arising from intra-group 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.

(d) 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).

(e) Acquisitions

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

(f) Foreign currency translation

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

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.

(g) 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).

Notes to the consolidated financial statements continued

for the year ended 31 March 2012

2. Significant accounting policies continued

(g) Revenue recognition continued

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.

(h) 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.

(i) 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.

(j) 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.

(k) 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 2012 has been arrived at on the basis of a valuation carried out at that date by DTZ Zadelhoff Tie Leung GmbH, an independent valuer.

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

2. Significant accounting policies continued

(l) 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.

(m) 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 and which 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.

(n) 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.

(o) 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.

(p) 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.

(q) Trade receivables

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

(r) 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.

(s) Share-based payments

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense and 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.

Notes to the consolidated financial statements continued

for the year ended 31 March 2012

2. Significant accounting policies continued

(t) 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.

(u) 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.

(v) Trade payables

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

(w) Equity instruments

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

(x) 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.

(y) 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.

(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.

2. Significant accounting policies continued

(z) 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 finance income as appropriate.

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

- IAS 1 amendment: Presentation of items of Other Comprehensive income – for accounting periods commencing on or after 1 July 2012.
- IAS 32 amendment – Offsetting Financial Assets and Financial Liabilities – for accounting periods on or after 1 January 2014.
- IFRS 7 amendment: Disclosures – Offsetting Financial Assets and Financial Liabilities – for accounting periods on or after 1 January 2013.
- IFRS 9 – Financial Instruments – for accounting periods on or after 1 January 2015.
- IFRS 13 Fair Value Measurement – for accounting periods commencing on or after 1 January 2013.

The Directors anticipate that the adoption of these standards and interpretations in future periods will not have a material impact on the financial statements of the Group. The Group does not plan to adopt these standards early and the extent of the impact has not been determined.

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 statement of financial position 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 €485.7m (2011: €505.5m) was determined by DTZ Zadelhoff Tie Leung GmbH, an independent valuer. After adjusting investment properties reclassified as held for sale and lease incentive accounting the value of investment properties is shown as €476.8m. 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 23) 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 which 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 consolidated financial statements continued

for the year ended 31 March 2012

3. Significant accounting judgements, estimates and assumptions continued

Judgements 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 which 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 2012 €000	Year ended 31 March 2011 €000
Rental income from investment properties	45,745	45,568

6. Operating (loss)/profit

The following items have been charged or credited in arriving at operating (loss)/profit:

Direct costs

	Year ended 31 March 2012 €000	Year ended 31 March 2011 €000
Service charge income	(30,611)	(24,995)
Service charge expenditure and other property costs	46,854	43,292
Irrecoverable property costs	16,243	18,297
Property management fee including Bremen Holzhafen fee*	27 1,595	1,559
Asset management fee*	27 2,249	2,974
Development fee*	27 66	92
	20,153	22,922

* With the exception of a new property management fee at Bremen Holzhafen these costs are no longer incurred as a result of internalisation of the Asset Management Agreement. This is explained further in note 27.

6. Operating (loss)/profit continued

Administrative expenses

	Year ended 31 March 2012 €000	Year ended 31 March 2011 €000
Audit fee	247	252
Legal and professional fees	1,827	2,598
Other administration costs	835	909
Non-recurring costs	2,741	382
	5,650	4,141

During the year fees of €414,906 (2011: €92,641) were incurred with the auditors and their associates in respect of other non-audit services.

Non-recurring costs relate primarily to professional fees incurred in the process of internalisation of the Asset Management Agreement.

Other expenses

	Year ended 31 March 2012 €000	Year ended 31 March 2011 €000
Directors' fees	267	220
Depreciation	853	881
Bank fees	98	174
Marketing and other expenses	1,029	900
	2,247	2,175

7. Employee costs and numbers

	Year ended 31 March 2012 €000	Year ended 31 March 2011 €000
Wages and salaries	958	—
Social security costs	173	—
Other employment costs	87	—
	1,218	—

Since the internalisation of the Asset Management Agreement on 30 January 2012, all employees are now employed directly by the Group. The average number of persons employed by the Group since internalisation was 159. In addition the Board of Directors consists of nine Non-executive Directors.

8. Equity-settled share-based payments

During the year the Group established a Sirius long-term incentive scheme for the benefit of certain key management personnel. During this period 300,000 shares were granted but not allotted to the personnel involved in the scheme. As a result of the current period transaction, an expense of €63,750 has been recognised in the consolidated statement of comprehensive income.

Notes to the consolidated financial statements continued

for the year ended 31 March 2012

9. Finance income and expense

	Year ended 31 March 2012 €000	Year ended 31 March 2011 €000
Bank interest income	135	126
Finance income	135	126
Bank interest expense	(16,590)	(16,760)
Amortisation of capitalised finance costs	(1,075)	(1,072)
Finance expense	(17,665)	(17,832)

10. Taxation

	Year ended 31 March 2012 €000	Year ended 31 March 2011 €000
Current income tax		
Current income tax charge	(85)	(583)
Adjustment in respect of prior periods	(334)	167
	(419)	(416)
Deferred tax		
Relating to origination and reversal of temporary differences	(192)	(295)
	(192)	(295)
Income tax expense reported in the statement of comprehensive income	(611)	(711)

The income tax rate applicable to the Company in Guernsey is nil. The current income tax charge of €419,000 represents tax charges on profit arising in Germany that is subject to corporate income tax of 15.83%. 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 2012 €000	Year ended 31 March 2011 €000
(Loss)/profit before tax	(31,114)	3,441
(Loss)/profit before tax multiplied by rate of corporation tax in Germany of 15.83% (2011: 15.83%)	(4,925)	545
Effects of:		
Income exempt from tax	(2,546)	(3,911)
Tax allowable depreciation	(1,695)	(1,653)
Non-taxable items including revaluation movements	5,560	995
Tax losses utilised	(207)	(55)
Tax losses not utilised	4,004	4,755
Relating to origination and reversal of temporary differences	192	295
Adjustments in respect of prior periods	334	(167)
Other	(106)	(93)
Total income tax expense in the statement of comprehensive income (as above)	611	711

Deferred tax liability

	2012 €000	2011 €000
Opening balance	1,924	1,629
Revaluation of investment properties and derivative financial instruments to fair value	191	295
Closing balance	2,115	1,924

The Group has tax losses of €97,139,696 (2011: €75,344,507) 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.

11. Earnings per share

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

	Year ended 31 March 2012 €000	Year ended 31 March 2011 €000
Earnings		
(Loss)/profit for the year attributable to the equity holders of the parent	(31,248)	2,519
Earnings	(31,248)	2,519
Add back revaluation deficits	27,349	438
Add back change in fair value of derivative instruments	4,575	(5,184)
Add back non-recurring costs	2,741	382
Less gain on sale of properties	(645)	—
Adjusted earnings	2,772	(1,845)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	304,773,176	302,223,176
Weighted average of ordinary shares for the purpose of adjusted earnings per share	304,773,176	302,223,176
Basic and diluted earnings per share	(10.25)c	0.83c
Adjusted earnings per share	0.91c	(0.61)c

The number of shares has been reduced by 10,276,824 shares that are held by the Company as Treasury Shares at 31 March 2012, 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 on sale of properties, deferred tax and the revaluation deficits on the investment properties and derivative instruments.

As there are no share options in issue, the diluted earnings per share is identical to the basic earnings per share.

12. Net assets per share

	2012 €000	2011 €000
Net assets		
Net assets for the purpose of assets per share (assets attributable to the equity holders of the parent)	181,227	208,961
Deferred tax relating to investment properties	2,115	1,921
Derivative financial instruments	13,854	9,279
Adjusted net assets attributable to equity holders of the parent	197,196	220,161
Number of shares		
Number of ordinary shares for the purpose of net assets per share	317,523,176	302,223,176
Net assets per share	57.08c	69.14c
Adjusted net assets per share	62.10c	72.85c

The number of shares has been reduced by 10,276,824 shares that are held by the Company as Treasury Shares at 31 March 2012, for the calculation of basic and adjusted earnings per share.

As there are no share options, the diluted net asset per share is identical to net assets per share.

13. Investment properties

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:

	2012 €000	2011 €000
Investment properties at market value	485,740	505,500
Adjustment in respect of lease incentives	(1,900)	—
Reclassified as investment properties held for sale	(7,060)	—
	476,780	505,500

The fair value of the Group's investment properties at 31 March 2012 has been arrived at on the basis of a valuation carried out by DTZ Zadelhoff Tie Leung GmbH, an independent valuer.

Notes to the consolidated financial statements continued

for the year ended 31 March 2012

13. Investment properties continued

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 was three years.

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.

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

	2012 €000	2011 €000
Total investment properties at market value per valuers' report as at 1 April	505,500	500,010
Additions and subsequent expenditure	7,969	5,857
Adjustment in respect of lease incentives	1,900	—
Reclassified as investment properties held for sale not included in valuation	(2,280)	—
Deficit on revaluation	(27,349)	(367)
Total investment properties at market value per valuers' report as at 31 March	485,740	505,500

14. Investment properties held for sale

	2012 €000	2011 €000
Property 1 at Königswinter site	830	—
Property 2 at Königswinter site	1,450	—
Investment properties held for sale not included in yearend valuation	2,280	—
Property at Munich Hofmannstrasse site included in yearend valuation	7,060	—
	9,340	—

At 31 March 2012 an agreement was made to dispose of a building at the Königswinter site for €900,000, with a book value of €830,000. The disposal has been notarised and subject to being included on the land register, it will be completed in the next period.

At 31 March 2012 an agreement was made to dispose of two buildings at the Königswinter site for €1,450,000. Legal conditions are being finalised and then the disposal will complete in the next period.

At 1 June 2012 an agreement was made to dispose of the investment property at Munich Hofmannstrasse for €6,850,000. The disposal is expected to complete within the next three months.

15. Plant and equipment

	Plant and equipment €000	Fixtures and fittings €000	Total €000
Cost			
As at 31 March 2011	5,237	1,311	6,548
Additions in year	97	165	262
Transfer to investment property	(1,414)	2	(1,412)
Acquisition through business combination	236	166	402
As at 31 March 2012	4,156	1,644	5,800
Depreciation			
As at 31 March 2011	(1,494)	(375)	(1,869)
Charge for year	(546)	(307)	(853)
Transfer to investment property	360	—	360
As at 31 March 2012	(1,680)	(682)	(2,362)
Net book value as at 31 March 2012	2,476	962	3,438
Cost			
As at 31 March 2010	5,044	710	5,754
Additions in year	261	601	862
Disposals in year	(68)	—	(68)
As at 31 March 2011	5,237	1,311	6,548
Depreciation			
As at 31 March 2010	(836)	(164)	(1,000)
Charge for year	(670)	(211)	(881)
Disposals in year	12	—	12
As at 31 March 2011	(1,494)	(375)	(1,869)
Net book value as at 31 March 2011	3,743	936	4,679

16. Business combinations

On 30 January 2012 a transaction was completed to internalise the Asset Management Agreement that was held with Principle Capital Sirius Real Estate Asset Management Limited ("PCSREAM"). As a result payments were made to cancel the agreement and acquire 100% of the share capital of four companies at their net asset value. The companies were Sirius Facilities GmbH, LB² GmbH, Principle Corporate Services B.V. and Marba Holland B.V. Control over the companies was achieved on completion of the consideration payments.

The goodwill is attributable to acquired knowledge of the employees and the systems, which are expected to create efficiencies in the operation and cost of running the Group's properties.

Details of net assets acquired and goodwill are as follows:

	2012 €000	2011 €000
Purchase consideration		
Cash paid	791	—
Fair value of shares issued	3,188	—
Total purchase consideration	3,979	—

Notes to the consolidated financial statements continued

for the year ended 31 March 2012

16. Business combinations continued

The assets and liabilities as of 30 January arising from acquisition are as follows:

	Fair value €000
Property, plant and equipment	435
Trade receivables	221
Other receivables	345
Cash and cash equivalents	361
Trade payables	(429)
Other payables	(692)
Fair value of net assets	241
Goodwill	3,738
Total purchase consideration	3,979

There were no acquisitions in the year ended 31 March 2011.

17. Goodwill

	2012 €000	2011 €000
Opening balance	—	—
Additions	3,738	—
Amortisation in year	—	—
Closing balance	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 has been recognised. Due to the transaction being completed close to the year end, the value recognised is considered a good indication of fair value less cost to sell. As a result no impairment review was considered necessary for the carrying value of the goodwill at 31 March 2012.

18. Trade and other receivables

	2012 €000	2011 €000
Trade receivables	4,771	5,577
Other receivables	4,923	1,695
Related party receivable	10	—
	9,704	7,272

19. Cash and cash equivalents

	2012 €000	2011 €000
Cash at banks and in hand	9,145	23,583

Cash at banks earns interest at floating rates based on daily bank deposit rates. The fair value of cash is €9,144,770 (2011: €23,583,498).

As at 31 March 2012 €5,572,909 (2011: €6,717,701) of cash is held in blocked accounts. Of this balances relating to deposits received from tenants total €2,332,317 (2011: €1,941,435). An amount of €15,625 (2011: €15,546) relates to funds held on an escrow account for a supplier and €153,596 is held in a restricted account for office rent deposit. An amount of €3,071,371 (2011: €3,389,822) relates to amounts reserved for future interest payments on the bank loan facilities. No balances are now held which are under the control of lenders who have made loans to the Group to be used for capital expenditure on the properties (2011 €1,370,898).

20. Trade and other payables

	2012 €000	2011 €000
Trade payables	6,080	5,665
Accrued expenses	6,840	3,991
Accrued interest	1,111	1,107
Other payables	6,603	6,283
Related party payables	—	116
	20,634	17,162

Terms and conditions of the above financial liabilities are as follows:

- ▶ trade payables are non-interest bearing and it is the Group's policy to pay within the stated terms which vary from 14 to 60 days. The exceptions are certain development suppliers where payment plans have been agreed to extend the payment days to a longer period;
- ▶ other payables are non-interest bearing and, as above, are paid within stated terms; and
- ▶ for terms and conditions relating to related parties, refer to note 27.

21. Interest-bearing loans and borrowings

	Effective interest rate %	Maturity	2012 €000	2011 €000
Current				
ABN Amro loan				
– fixed rate facility	5.85	15 October 2012	91,217	2,156
Berlin Hannoversche Hypothekenbank AG loan				
– fixed rate facility	5.46	31 March 2013	49,661	1,290
Berlin Hannoversche Hypothekenbank AG loan				
– hedged floating rate facility	Hedged floating*	31 March 2013–30 June 2013	47,937	4,012
Berlin Hannoversche Hypothekenbank AG loan				
– capped floating rate facility	Capped floating**	31 December 2013	1,360	1,286
Capitalised finance charges on all loans			(842)	(1,075)
			189,333	7,669
Non-current				
ABN Amro loan				
– fixed rate facility	5.85	15 October 2012	—	91,217
Berlin Hannoversche Hypothekenbank AG loan				
– fixed rate facility	5.46	31 March 2013	—	49,661
Berlin Hannoversche Hypothekenbank AG loan				
– hedged floating rate facility	Hedged floating*	31 March 2013–30 June 2013	65,172	113,108
Berlin Hannoversche Hypothekenbank AG loan				
– capped floating rate facility	Capped floating**	31 December 2013	40,245	41,605
Capitalised finance charges on all loans			(203)	(1,045)
			105,214	294,546
Total			294,547	302,215

The borrowings are repayable as follows:

	2012 €000	2011 €000
On demand or within one year	190,175	8,744
In the second year	105,417	190,174
In the third to fifth years inclusive	—	105,417
Total	295,592	304,335

* The average fixed rate of the swap contracts is 4.74%, plus an average margin of 1.12% bringing the total cost to 5.86%. The swap contracts have various maturity dates with the latest being June 2018.

** This floating rate facility is capped at 5.98%. Due to the current low market interest rates, the interest at year end for this loan is 3.09%.

The Group has pledged 34 (2011: 34) properties to secure the interest-bearing debt facilities granted to the Group. The 34 properties had a combined valuation of €450,660,000 as at 31 March 2012 (2011: €465,310,000).

Notes to the consolidated financial statements continued

for the year ended 31 March 2012

21. Interest-bearing loans and borrowings continued

ABN Amro Bank N.V.

This facility had €100,951,940 drawn down, of which €9,734,821 (2011: €7,579,062) has been amortised, resulting in a net liability of €91,217,119 (2011: €93,372,878) at year end. The interest is fixed at a weighted average interest rate of 5.85% per annum. The final repayment date is 15 October 2012 and therefore the outstanding balance is shown as current. Negotiations are currently taking place with ABN about disposing of or refinancing the property assets that the loan is secured over. This is explained further in note 2 under basis of preparation. The loan is secured over 16 property assets and is subject to various covenants with which the Group has complied.

The original facility agreement was signed with ABN in 2006 and was transferred into SRE upon the IPO in April 2007. As part of the 2007 acquisition of ABN by the consortium led by The Royal Bank of Scotland (RBS) the facility was transferred to RBS and has remained there since. As a result the negotiations on settling and refinancing the facility are taking place with RBS and Bank of America, the managing agent in charge of the facility.

Berlin Hannoversche Hypothekenbank AG

Facilities of €226,500,000 have been granted by Berlin-Hannoversche Hypothekenbank AG. To date €22,125,645 (2011: 15,538,184) has been amortised, resulting in a liability of €204,374,355 at 31 March 2012 (2011: 210,961,816).

The facility is split into three portfolios. Portfolio I is split with either an interest rate of 1.18 margin over three months EURIBOR fixed by a SWAP at 4.42%, or a fixed rate of 5.46%. The latest drawdown has a fixed rate of 2.81% for the loan facility. Portfolio II has an interest rate of 1.08 margin over three months EURIBOR fixed by a SWAP at 4.95% and Portfolio III is at a floating rate capped at 5.98%. This facility is secured over 18 property assets and is subject to various covenants with which the Group has complied.

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

	Total loan outstanding at 31 March 2012 €000	Value of secured properties at 31 March 2012 €000	Loan-to-value ratio at 31 March 2012	Loan-to-value covenant at 31 March 2012	Interest cover ratio at 31 March 2012	Debt service cover ratio at 31 March 2012	Interest cover/ debt service cover ratio covenant at 31 March 2012
ABN Amro loan	91,217	126,030	72.4%	85%	1.45	n/a	1.25
Berlin-Hannoversche Hypothekenbank AG loan – Portfolio I, II and III	204,374	324,630	63%	77%	n/a	1.46	1.10
Unencumbered properties	—	35,080	n/a				
Total	295,591	485,740	60.9%				

22. 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 and interest rate risk. The risk management policies employed by the Group to manage these risks are discussed below.

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 statement of financial position date. 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 Asset Manager monitored the tenants in order to anticipate and minimise the impact of defaults by occupational tenants, as well as ensuring that the Group has a diversified tenant base. Since internalisation of the Asset Management Agreement, the monitoring is carried out internally by the Group.

22. Financial risk management objectives and policies continued

Credit risk continued

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

	2012 €000	2011 €000
Trade receivables	4,771	5,577
Other debtors	4,933	1,695
Prepayments	339	233
Derivative financial instruments	4	165
Cash and cash equivalents	9,145	23,583
	19,192	31,253

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

Group	Gross 2012 €000	Impairment 2012 €000	Gross 2011 €000	Impairment 2011 €000
Past due 0–30 days	4,176	(792)	5,143	(621)
Past due 31–120 days	587	(229)	820	(65)
More than 120 days	3,183	(2,154)	2,511	(2,211)
	7,946	(3,175)	8,474	(2,897)

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

	2012 €000	2011 €000
Balance at 31 March	(2,897)	(2,039)
Impairment loss recognised	(278)	(858)
Balance at 31 March	(3,175)	(2,897)

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 €4,770,682 (2011: €5,576,688) which 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.

Notes to the consolidated financial statements continued

for the year ended 31 March 2012

22. Financial risk management objectives and policies continued

Liquidity risk continued

The table below summarises the maturity profile of the Group's financial liabilities as at 31 March 2012 based on contractual undiscounted payments:

	Bank loans €000	Derivative financial instruments €000	Trade and other payables €000	Total €000
Year ended 31 March 2012				
Undiscounted amounts payable in:				
Six months or less	(10,285)	(2,361)	(20,634)	(33,280)
Six months to one year	(189,932)	(2,317)	—	(192,249)
One to two years	(106,475)	(990)	—	(107,465)
Two to five years	—	—	—	—
	(306,692)	(5,668)	(20,634)	(332,994)
Interest	11,100	5,668	—	16,768
	(295,592)	—	(20,634)	(316,226)
Year ended 31 March 2011				
Undiscounted amounts payable in:				
Six months or less	(10,896)	(1,686)	(17,162)	(29,744)
Six months to one year	(10,882)	(1,657)	—	(12,539)
One to two years	(200,911)	(2,712)	—	(203,623)
Two to five years	(106,972)	(380)	—	(107,352)
	(329,661)	(6,435)	(17,162)	(353,258)
Interest	25,326	6,435	—	31,761
	(304,335)	—	(17,162)	(321,499)

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 85% of its total borrowing is at fixed interest rates by taking out fixed rate loans or derivative financial instruments to hedge interest rate exposure.

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 yield would result in a decreased post tax profit in the consolidated statement of comprehensive income of €0.4m (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 €0.4m (excluding the movement on derivative financial instruments).

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 occurred with the internalisation of the Asset Management Agreement.

The Company holds 10,276,824 of its own shares which continue to be held as Treasury Shares. During the year 15,300,000 shares were issued from treasury and no share buybacks were made. This is explained further in note 24.

The Group monitors capital using a gross debt to property assets ratio, which was 61.1% as at 31 March 2012 (2011: 60.2%).

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

23. 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.

	2012		2011	
	Carrying amount €000	Fair value €000	Carrying amount €000	Fair value €000
Financial assets				
Cash	9,145	9,145	23,583	23,583
Trade receivables	4,771	4,771	5,577	5,577
Derivative financial instruments	4	4	165	165
Financial liabilities				
Trade payables	6,080	6,080	5,665	5,665
Derivative financial instruments	13,858	13,858	9,444	9,444
Interest-bearing loans and borrowings:				
Floating rate borrowings – hedged	113,108,320	113,108,320	117,120	117,120
Floating rate borrowings – capped	41,605,300	41,605,300	42,891	42,891
Fixed rate borrowings	140,877,854	144,295,359	144,324	149,616

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
2012				
Derivative financial instruments	—	13,854	—	13,854
2011				
Derivative financial instruments	—	9,279	—	9,279

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:

	Within 1 year €000	1–2 years €000	2–3 years €000	3–4 years €000	4–5 years €000	Total €000
2012						
ABN Amro loan	(91,217)	—	—	—	—	(91,217)
Berlin Hannoversche Hypothekenbank AG loan:						
Fixed and floating rate hedged	(97,597)	(65,172)	—	—	—	(162,769)
Floating rate capped	(1,360)	(40,245)	—	—	—	(41,605)
Cash assets	9,145	—	—	—	—	9,145

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

Notes to the consolidated financial statements continued

for the year ended 31 March 2012

23. Financial instruments continued

Interest rate risk continued

2011	Within 1 year €000	1–2 years €000	2–3 years €000	3–4 years €000	4–5 years €000	Total €000
ABN Amro loan	(2,156)	(91,217)	—	—	—	(93,373)
Berlin Hannoversche Hypothekenbank AG loan:						
Fixed and floating rate hedged	(5,302)	(97,597)	(65,172)	—	—	(168,071)
Floating rate capped	(1,286)	(1,360)	(40,245)	—	—	(42,891)
Cash assets	23,583	—	—	—	—	23,583

24. Issued share capital

Authorised	Number of shares	Share capital €
Ordinary shares of no par value	Unlimited	—
As at 31 March 2012	Unlimited	—

Issued and fully paid	Number of shares	Share capital €
Ordinary shares of no par value		
Issued ordinary shares	327,800,000	—
Shares bought back and held in treasury	(25,576,824)	—
As at 31 March 2011	302,223,176	—
Issued Treasury Shares	15,300,000	—
As at 31 March 2012	317,523,176	—

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

The Company holds 10,276,824 of its own shares which are held as treasury. During the year 15,000,000 shares were issued as part of the internalisation of the Asset Management Agreement as explained in note 27. A further 300,000 shares were issued to senior management as part of a long-term incentive scheme as explained in note 8.

No share buybacks were made in the year.

25. Other reserves

Other distributable reserve

The other distributable reserve is a distributable reserve that was created for the payment of dividends and for the buyback of shares and is €303,625,000 in total at 31 March 2012.

26. Dividends

In order to sustain investment in the Group's portfolio whilst also ensuring cash resources are preserved, the Board has proposed to not pay a dividend in the year ended 31 March 2012.

27. Related parties

Brian Myerson was formerly a Director of the Company (he resigned on 15 July 2010) and he is also a director of Principle Capital Holdings S.A. ("PCH"). Principle Capital Sirius Real Estate Asset Management Limited ("PCSREAM") is a joint venture between a subsidiary of PCH, Frank and Kevin Oppenheim and certain other individuals. PCSREAM was the Asset Manager to the Group until internalisation of the Asset Management Agreement took place on 30 January 2012.

Sirius Facilities GmbH was a company that was controlled by PCH and Frank and Kevin Oppenheim. This company was acquired by the Group as part of the internalisation process.

Terms and conditions of transactions with related parties

All of the related party transactions disclosed were carried out on an arm's length basis. Outstanding balances at the year end are unsecured, interest free and payable/repayable on demand.

27. Related parties continued

Terms and conditions of transactions with related parties continued

There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2012, the Group has not recorded any impairment of receivables relating to amounts owed by related parties.

The following transactions took place between the Group and related parties during the financial year:

Internalisation of the Asset Management Agreement

On 30 January 2012 a transaction was completed to internalise the Asset Management Agreement that was held with PCSREAM. As a result payments were made to cancel the agreement and acquire companies being Sirius Facilities GmbH, LB² GmbH, Principle Corporate Services B.V. and Marba Holland B.V. Total consideration given to acquire the companies was the issue of 15 million shares from treasury for €3,187,500 and cash of €791,000. A further payment of €848,280 was made to terminate the Asset Management Agreement early.

Transaction with Celtic Investments Ltd

Amanda Spring is a Director of the Company and is also the owner of Celtic Investments Ltd (Celtic). Celtic was paid fees of €86,312 during the year for consultancy work in relation to the internalisation of the Asset Management Agreement.

Acquisition of non-controlling interests

The Group paid consideration of €237,000 to acquire part of the non-controlling interests held by four companies which were owned by subsidiaries of PCH or Frank and Kevin Oppenheim. A contribution was also made by the Group to the Vega Charitable Trust of €13,000. This contribution was used by the Vega Charitable Trust to purchase the remaining non-controlling interests held by the four companies.

Asset management fee

Principle Capital Sirius Real Estate Asset Management Limited received an annual management fee of 0.6% of the gross property asset value of the Group if this was greater than €500,000,000 or 0.5% if the gross property value was less than €500,000,000. In the year fees of €2,248,809 (2011: €2,974,312) were paid. Since internalisation was completed no further fees have been paid or are outstanding.

Property management fee

Principle Capital Sirius Real Estate Asset Management Limited received an annual property management fee of 4% of the net cash received from rentals. Of this fee approximately 2% is recoverable from tenants and 2% is non-recoverable. In the year fees of €1,574,737 (2011: €1,558,619) were paid. Since internalisation was completed no further fees have been paid or are outstanding.

Development fee

Principle Capital Sirius Real Estate Asset Management Limited received an annual development fee of 1% of the Group's capital expenditure in the period. In the year fees of €66,000 (2011: €91,514) were paid. Since internalisation was completed no further fees have been paid or are outstanding.

Property management fee – Bremen Holzhafen

PCO Real Estate Asset Management Limited (formerly PCSREAM) has an agreement to manage the property at Bremen Holzhafen. An annual property management fee of €120,000 is payable quarterly in advance. In the year fees of €30,000 (2011: €nil) were paid of which €10,000 was a prepayment at 31 March 2012.

Advisory Services Agreement (ASA)

PCO Real Estate Asset Management Limited (formerly PCSREAM) has an Advisory Services agreement to help manage the process of disposing of a portfolio of non-core properties. Fees will be paid for these services depending on the final consideration that is received for the properties disposed. No provision has been made for these deferred fees that might become payable.

Centre management fee and facility management fee

Sirius Facilities GmbH receives a fee for the provision of day-to-day centre management and facility management based on actual costs occurred. In the year, fees of €6,794,767 (2011: €8,659,741) were paid. Since internalisation was completed these fees are now internal to the Group and no longer a related party transaction.

Corporate services

Principle Corporate Services B.V. was a joint venture between a subsidiary of PCH and Frank and Kevin Oppenheim, which received a fee for the provision of corporate services supplied to some of the subsidiaries in the Group. During the year, fees of €303,273 (2011: €482,032) were paid. This company was acquired by the Group as part of the internalisation process and no further fees are required to be paid.

Notes to the consolidated financial statements continued

for the year ended 31 March 2012

27. Related parties continued

Key management personnel compensation

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

	2012 €000	2011 €000
Directors' fees	267	220
Short-term employee benefits	126	—
Share-based payments	50	—
	443	220
Asset management fee	2,249	2,974
Property management fee including Bremen Holzhafen	1,595	1,559
Development fee	66	92
Total	4,353	4,845

Information on Directors' emoluments is given in the remuneration report on page 11.

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.

28. Capital commitments

As at 31 March 2012 the Group had contracted capital expenditure on existing properties of €1,182,117 (2011: €1,845,264). These were committed but not yet provided for in the financial statements.

29. 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:

	2012 €000	2011 €000
Less than one year	40,293	37,140
Between one and five years	69,202	70,882
More than five years	31,385	13,686
	140,880	121,708

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

Corporate details

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