Providing space for business

Sirius Real Estate Limited
Annual Report and Accounts 2017

Moving forward

Providing flexible and conventional workspace to companies across Germany

We are one of the largest branded providers of mixed-use flexible workspace in Germany. Sirius Real Estate Limited ('Sirius' or 'the Company' or 'the Group') is a real estate company with a portfolio of 44 business parks across Germany, providing a combination of conventional and flexible workspace.

Read more about our business on
Pages 3 to 5

For more information, please visit
www.sirius-real-estate.com

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"The year ended 31 March 2017 has delivered another strong trading performance which continues to be driven by a combination of organic and acquisitive growth."

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

Our highlights
A strong year

Capex investment programme

The original capex programme commenced just over three years ago and is focused on transforming over 200,000sqm of sub-optimal space. As at 31 March 2017 approximately 159,000sqm of this space had been completely refurbished and was either let or being marketed for let. A total of €15.0 million has been invested into this space and, at 78% occupancy, is generating €8.7 million of annualised rental income representing an income return on investment of 58%.

Recycling of mature and non-core assets

During the year and after the period end, the sale of a total of €110.4 million of assets was completed or notarised. This included three core mature assets, one non-core asset and a land parcel at CöllnParc. In order to recycle this equity, further acquisitions totalling €72.8 million were either completed or notarised after the year end.

Equity raise and acquisitions

In June 2016 the Company completed a private placing raising €30.0 million of new equity capital. In March 2017 a second private placing raised €15.0 million of new equity capital. A total of €80.4 million of acquisitions were acquired including the Frankfurt asset which completed shortly after year end. These assets were purchased at a blended EPRA net yield of 8.1% whilst providing value-add opportunity in the future.

Main market move

In March 2017 the Company completed the successful move of its shares from AIM to being admitted for trading on the main markets of both the London and Johannesburg stock exchanges.

€71.0m ↑ 17.4%

Gross annualised rental income at 31 March 2017

17	71.0
16	60.5

€76.4m ↑ 33.8%

Profit before tax

17	76.4
16	57.1

2.92c ↑ 31.5%

Total dividend for the year

17	2.92
16	2.22

€823.3m ↑ 19.8%

Portfolio book value

17	823.3
16	687.5

57.84c ↑ 9.7%

European Public Real Estate Association ("EPRA") NAV per share

17	57.84
16	52.72

42.3% ↓ 1.2%

Loan to value ratio

17	42.3
16	42.8

€5.27 ↑ 4.2%

Average rate per sqm

17	5.27
16	5.06

80.5% ↑ 0.5%

Occupancy

17	80.5
16	80.1

Our business at a glance

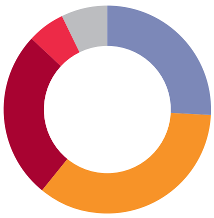
Flexible workspace

We are an owner and operator of branded business parks providing conventional space and flexible workspace in Germany.

As at 31 March 2017 the Group owned or managed a portfolio of 44 business parks in Germany containing more than 1.4 million sqm of lettable space.

The majority of the Group's business parks are a mixture of office, storage and production space. Whilst retaining the major core anchor industrial tenants, many of the business parks are restructured to enhance the working environment of the tenants.

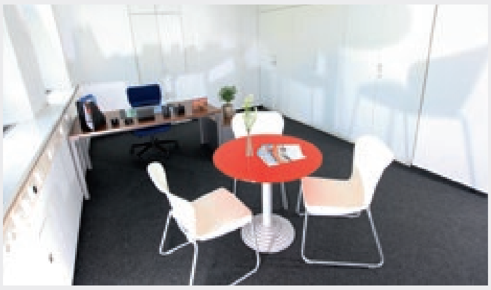
Total portfolio split



Office	26%
Storage	35%
Production	26%
Smartspace	6%
Other	7%

What we operate

OFFICES



Our wide-ranging portfolio of office space offers both long and short-term lease options. The office space we provide comes either with or without a comprehensive service package.

Offices, office space and co-working in Sirius business parks.

Conventional offices

Smartspace Office

Officepods

Virtual office

STORAGE

For businesses and private households alike, the wide range of storage space on offer provides many options on varying scales. The range of self-storage options and spacious warehouses offers customers what they need.

Warehouse, storerooms and self-storage options are available on Sirius business parks.

Classical storage spaces

Smartspace Storage

Flexistorage

PRODUCTION AND WORKSHOPS

Large production areas form the base of many Sirius business parks; however, smaller workshop areas complement these, giving clients optionality.

Workshop spaces

Production

Smartspace Workbox

Our business at a glance continued

A well-balanced portfolio

What we offer

The Group derives a large part of its rental income from conventional industrial tenants, which include international blue-chip corporations, but the majority of clients are German small to medium-sized enterprises (“SME”) companies.

The stable long-term income from anchor tenants underpins the ability to generate higher revenues from the more flexible leasing options.

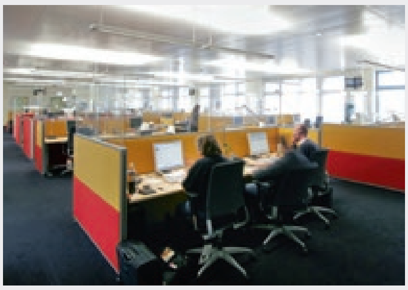
We have created a range of innovative and flexible products by investing into sub-optimal space. This attracts a large number of tenants to our sites whilst generating higher income and asset value growth from space that would often be left vacant or rented at low prices.

Diversified tenant structure

Large scale workspace

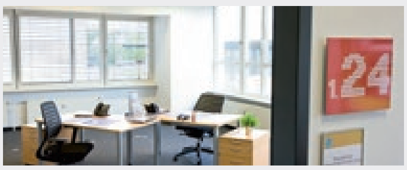
Typical tenant **International blue-chip corporations**	% of Group annualised rental income **40%**
Typical lease length **Long term**	% of total sqm occupied **52%**
Type of space **Production**	Average rate per sqm **€3.97**

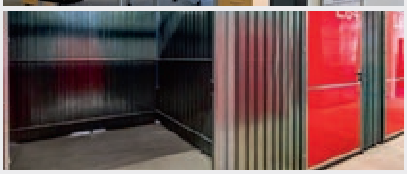
Conventional workspace



Typical tenant **SMEs**	% of Group annualised rental income **53%**
Typical lease length **Long and short term**	% of total sqm occupied **43%**
Type of space **Production, office and storage**	Average rate per sqm **€6.15**

Flexible workspace





Typical tenant **SMEs and retail customers**	% of Group annualised rental income **7%**
Typical lease length **Short term**	% of total sqm occupied **5%**
Type of space **Serviced offices, workshops and self-storage**	Average rate per sqm **€6.65**

1.4m
Lettable sqm

4,089
Tenants

44
Total number of properties owned at period end

Our properties

Sirius owned properties

38

Sirius managed properties

1

Sirius owned properties acquired in period

6

Sirius owned properties acquired post period

2

Investment review
Value-add opportunities

The year under review has proven to be another busy year for investment activity with a total of eight sites either acquired or notarised for completion in the period together with the disposal of some non-income producing land, one non-core site and the notarisation for sale of two mature sites, both of which completed shortly after the period end.

The eight acquisitions completed or notarised in the period had total acquisition costs of €103.3 million and provide an attractive balance of stable income and value-add opportunity. All acquisitions are located in areas in which the Group has a deep market understanding and can be quickly incorporated into the Group's operating platform.

The disposal activity was very pleasing in that it provides evidence of our strategy to be able to recycle capital from non-core and mature sites into assets with higher value-add potential. Additionally to be able to do this at significantly higher than book value on two mature sites also proves that the value-add model that Sirius has created works well.

Following the period end, another mature site located in Kiel was notarised for sale bringing the total disposal proceeds for assets sold or notarised for sale in the financial year and after to €108.9 million. In addition €1.5 million was received in relation to the sale of a land parcel in CöllnParc. The plan is now to reinvest these proceeds and accordingly a further four assets were notarised for purchase with total acquisition costs expected to be €49.9 million following the period end. These acquisitions have a higher concentration of office space as well as higher vacancy which provides the Company with much greater opportunity to enhance income and values going forward than would have been achievable on the mature and non-core assets that these are replacing.

Disposals

November 2016

COLOGNE – CÖLLNPARC

Completed the sale of 8,155sqm of non-income producing land at CöllnParc for €1.5 million, representing a 41% increase on book value as reported at 30 September 2016. Proceeds of the sale are being used to fund development projects that form part of the capex investment programme.

Acquisitions

May 2016

MARKGRÖNINGEN

Total acquisition cost
€8,720,000

Tenants
2

Lettable space
56,615sqm

Occupancy
67%

Rental income
€1,322,000

Vacant space
17,845sqm

Rate per sqm
€2.84

May 2016

KREFELD

Total acquisition cost
€13,475,000

Tenants
11

Lettable space
11,458sqm

Occupancy
94%

Rental income
€1,219,000

Vacant space
730sqm

Rate per sqm
€9.47

September 2016

DRESDEN MICROPOLIS

Total acquisition cost
€28,600,000

Tenants
62

Lettable space
53,200sqm

Occupancy
65%

Rental income
€2,781,000

Vacant space
18,222sqm

Rate per sqm
€6.63

November 2016

WIESBADEN

Total acquisition cost
€17,658,000

Tenants
2

Lettable space
19,602sqm

Occupancy
65%

Rental income
€1,878,000

Vacant space
6,945sqm

Rate per sqm
€12.36

January 2017

MUNICH RUPERT MAYER STRASSE*

The sale of the Munich Rupert Mayer Strasse asset for €85.0 million was notarised in January and completed in May 2017. Over the eight years since the site was acquired the Company successfully repositioned the asset by replacing a single tenant with multiple tenants on higher rents, investing in the transformation of sub-optimal space and significantly increasing net operating income. The sale at €85.0 million represents a 48% increase on original purchase price and 9% premium to last reported book value at 30 September 2016.

February 2017

MERSEBURG

Completed the sale of the non-core Merseburg retail park asset for €5.9 million. The sale of this legacy asset is part of the Company's strategy to dispose of non-core assets and recycle equity into greater value-add opportunities in order to increase total returns from the portfolio. A loss of €572,000 was recognised in the year to 31 March 2017.

March 2017

DÜSSELDORF WIESENSTRASSE*

The sale of the Düsseldorf Wiesenstrasse business park for €11.0 million was notarised in March and completed in May 2017. The asset was fully developed under the Sirius brand name and, with occupancy in excess of 96%, was considered a mature asset within the Company's portfolio. The sale at €11.0 million represents a 25% premium to last reported book value at 30 September 2016.

April 2017

KIEL

Notarised the sale of a mature asset located in Kiel for €7.0 million. The sale is at an EPRA net operating yield of 7.4%. The asset is a multi-let mixed-use business park generating €0.56 million of net operating income with occupancy of 92% over a net lettable area of around 10,000sqm.

January 2017

KREFELD – FICHTENHAIN

Total acquisition cost
€2,894,000

Tenants
1

Lettable space
6,335sqm

Occupancy
100%

Rental income
€391,000

Vacant space
0sqm

Rate per sqm
€5.15

February 2017

DREIEICH

Total acquisition cost
€4,584,000

Tenants
4

Lettable space
12,905sqm

Occupancy
29%

Rental income
€287,000

Vacant space
9,110sqm

Rate per sqm
€6.31

April 2017

FRANKFURT

Total acquisition cost
€4,498,000

Tenants
6

Lettable space
4,064sqm

Occupancy
28%

Rental income
€153,000

Vacant space
2,926sqm

Rate per sqm
€11.22

June 2017

KÖLN PORZ

Total acquisition cost
€22,904,000

Tenants
14

Lettable space
20,342sqm

Occupancy
100%

Rental income
€2,038,000

Vacant space
105sqm

Rate per sqm
€8.39

* Completed post period end.

Chairman's statement

Building momentum

In summary:

» Sirius has continued to grow organically through its capex investment programme and its asset management techniques as well as acquisitively using the proceeds of two successful capital raisings in the period.

» We have agreed the sale of two major core assets at above book valuation and completed the disposal of a non-core asset in the period.

» The ability to invest and create income and value from the more difficult areas of our industrial and office portfolio has, in particular, been a significant contributor to the valuation and profit increases in the period.

I am pleased to report another strong year of trading for Sirius in what is my first Annual Report as Chairman of the Company. Sirius has continued to grow organically through its capex investment programme and its asset management techniques as well as acquisitively using the proceeds of two successful capital raisings in the period. This has significantly increased the profitability and value of the Company and culminated with the move of its shares to the main markets of both the London and Johannesburg stock exchanges on 6 March 2017. We indicated last year that asset recycling was going to be a major element of our continued growth going forward and I am pleased to say that we successfully agreed the sale of two major core assets at well above book value and completed the disposal of a non-core asset in the period. An additional mature asset, located in Kiel, was notarised for sale at €7.0 million after the period end. This, along with the proceeds of a €15.0 million private placing which completed at the end of the period, will provide the Company with substantial capital to reinvest into new assets in the next financial year.

This continued growth is reflected in all of the key metrics upon which the Company is measured. Adjusted profit before tax* was up by 54% to €35.3 million (2016: €22.9 million), basic European Public Real Estate Association ("EPRA") EPS increased by 69.1% to 3.18c (2016: 1.88c). This has fed through to the Group's valuations, which saw a like-for-like increase of 8.5% in the year contributing to an increase in EPRA NAV per share of 9.7% to 57.84c (2016: 52.72c), whilst adjusted NAV per share** increased by 10.3% to 58.82c (2016: 53.35c). The disciplined manner in which the Company has executed its strategy of providing conventional and flexible workspace whilst developing its sub-optimal vacant space into both conventional space and the Group's range of flexible Smartspace products has also increased the quality of its portfolio and the sustainability of this increased income.

While this has been a good year for the business, momentum has been building for some years now as shown by the growth in the property portfolio which at the time of internalisation of the asset management platform in March 2012 stood at €486.1 million compared to the €823.3 million of property that is now held by the Company on its balance sheet. This substantial growth was one of the main driving forces behind the move up to the Main Market of the London Stock Exchange and to the Main Board of the Johannesburg Stock Exchange and is indicative of just how far the Company has progressed over recent years. The move does also reflect an ambition to continue on the same upward trajectory and the Sirius Board believes that the benefits that will come from the step up will help in achieving this ambition.

A key differentiator for Sirius and the most important contributor to its success is the capability and effectiveness of its operating platform. The 230-strong in-house team has continued to drive the key initiatives of the business such as the acquisitions and recycling programme, the major capex investment programme which transforms vacant and sub-optimal space, the lettings programme, as well as cost recovery initiatives. These initiatives are discussed in more detail in the asset management and financial review sections of this report but progress on all fronts has been encouraging. All of this activity has had a favourable impact on the value of the Group's properties. The ability to invest and create income and value from the more difficult areas of our industrial and office portfolio has, in particular, been a significant contributor to the value increases in the period. The Company's like-for-like rent roll*** has again increased materially by 5.1% to €65.6 million (2016: €62.4 million) and this has been the main driver of the valuation increases mentioned above as we have only seen 32bps of yield compression on the core portfolio in the period.

As at 31 March 2017, we owned 44 assets with 1.4 million sqm of net lettable area with a book value of €823.3 million (2016: €687.5 million), and total portfolio occupancy rate of 81% (2016: 80%). This reflects a gross yield of 8.6% (2016: 8.8%^) and a capital value per sqm of €563 (2016: €527^). We are confident that the potential to continue to grow the portfolio substantially further in this organic fashion remains strong.

"The move up to the Main Market of the London Stock Exchange and to the Main Board of the Johannesburg Stock Exchange is indicative of just how far the Company has progressed over recent years."

One of the most pleasing achievements of the year under review was being able to demonstrate the full cycle of the Sirius strategy with €101.9 million of disposals either completing or being agreed in addition to the sale of a land parcel for €1.5 million. A further mature asset was notarised for sale post period end for €7.0 million. In January 2017, the Company announced its most significant disposal to date in the sale of the Rupert Mayer Strasse business park asset in Munich for €85.0 million to an institutional buyer. The core disposals demonstrate the effectiveness of the Sirius strategy from acquisition, through the intensive asset management to profit crystallisation upon disposal. Furthermore this creates the opportunity to recycle capital from mature sites into assets with more future potential.

Additionally, the Company continued to identify acquisitions, with €103.3 million of new assets completed and €49.9 million notarised in the period or shortly post period end. Our asset management team has already identified good potential to enhance the income streams and capital values of these. We have now acquired €233.8 million of assets since we started our recent acquisitions programme and we expect this to continue into the new financial year where, with additional banking facilities, we will have the resources to acquire a further €65.0 million of assets on top of those mentioned above.

With the increase in the size of the business and the move to the main markets in London and Johannesburg, the Board of Sirius has expanded through my own appointment as Non-executive Chairman in September 2016 and more recently the appointment of Justin Atkinson, former CEO of Keller Group plc, as an independent Non-executive Director. Robert Sinclair from whom I took over as Chairman will not be offering himself up for re-election at the next AGM, having served the Company for the last ten years, five of those as Chairman. On behalf of the Board I would like to thank him for his outstanding commitment to Sirius during that time. In particular, whilst Chairman, Robert was instrumental in guiding the Company through the financial crisis to become the strong and fast growing Company that Sirius is today.

The Board is currently actively recruiting for a replacement for Robert. Justin Atkinson, a qualified accountant, will take on the role of Chairman of the Audit Committee from Robert after the AGM.

Following on from the Company's growth in profitability, the Board is recommending a final dividend of 1.53c per share (2016: 1.30c), representing an increase of 17.7% on the same period in the previous year, which gives a total dividend per share for the year of 2.92c, an increase of 32% (2016: 2.22c).

Looking forward, the Company remains well positioned to take advantage of operating within the most powerful economy in Europe and benefit from the strong occupier and investor demand across all subsections of the German real estate market. This will allow us to deliver attractive risk-adjusted returns for our shareholders whilst continuing to grow the business.

Neil Sachdev
Non-executive Chairman
23 June 2017

* Reported profit before tax adjusted for property revaluation, change in fair value of derivative financial instruments and other adjusting items including expense relating to the Long Term Incentive Plan.

** Excluding provisions for deferred tax and financial derivatives.

*** Including the Krefeld and Markgröningen acquisitions which completed just after year end and excluding the Merseburg disposal.

^ Restated for the disposal of Merseburg and a land sale at CöllnParc.

CEO's Q&A

Moving forward...

Q&A with the CEO

> The strong trading result reflects the continued success of the value-add business model of the Company and the asset management techniques that we use."

Current year performance – What have been the key drivers of the record trading performance in the financial year?

The strong trading result reflects the continued success of the value-add business model of the Company and the asset management techniques that we use.

The profit improvements that we have seen this year have come from three main areas: acquisitions, organic net income growth and further improvements to our banking terms.

Our acquisitions have not only made a strong impact when acquired but we have quickly been able to improve the income that they generate which has led to valuation improvements as well. In the financial year ended 31 March 2016 we acquired €82.7 million of assets with a further €103.3 million completing in or shortly after the financial year under review with a combined EPRA net initial yield of 8.1% and vacancy of 30%. From an organic growth perspective, one of the main drivers has been the capex investment programme which continues to progress well. Our new lettings, renewals and service charge initiatives are also producing good results and we have seen a further 2.8% increase in the like-for-like rent roll for properties held throughout the reporting period despite operating in a low inflationary environment.

Total occupancy has remained fairly stable because we have been acquiring vacancy through our acquisitions but this will fuel our capex investment programme which will provide further organic growth into the future.

We have continued to take advantage of the favourable financing markets by refinancing two loan facilities during the year which reduced our annual interest charge by €1.8 million. This along with the full impact of the refinancings from the previous financial year had a significant impact on this year's results.

Opportunities going forward – Where do you see value being created looking ahead into the current financial year and beyond?

The start of the new financial year will be mainly about the asset recycling programme following the completed disposal of €96.0 million of assets and the notarisation for sale of another €7.0 million asset. The replacement of these has begun well with €27.4 million of acquisition assets completed and a further €49.9 million notarised for completion since the year end. We will continue to seek a mix of stable income and value-add opportunity within the assets we acquire and given the strength of our operating platform, we feel confident of taking advantage of the opportunities within both the existing portfolio and the acquired assets in the year ahead and beyond.

Our capex investment programme will continue to play a large part in exploiting these opportunities and the acquisitions that we have made certainly helped in this regard. We have already identified over 43,000sqm for investment and transformation on the assets acquired in the year under review and more will come from the assets acquired and notarised post year end.

Following our disposals we have, and continue to, acquire assets with significant vacancy and hence opportunity, whilst replacing most of the income lost from the mature and non-core assets which were sold. Whilst the initial impact of the recycling programme will be to reduce income in the year ahead while the

...to our new chapter

> Our approach to financing and interest rate risk will always remain steadfast in order to provide as best a platform as possible for us to continue to deliver attractive risk-adjusted returns to shareholders."

disposal proceeds are reinvested, the impact from the value-add opportunities within the assets acquired will be much greater for shareholders in the years thereafter.

Macroeconomic – How are German market dynamics changing and how well positioned is Sirius to take advantage?

The German economy continues to be the largest in Europe and continues to be regarded as a favourable market in which to invest. A combination of low unemployment, monetary policy and the availability of low-cost debt has fuelled private and corporate spending. The real estate sector itself continues to feel the impact of these economic tailwinds with transaction volumes up and pricing across all subsectors of the real estate market reaching levels not seen for some time. Sirius has seen some of this yield shift feeding into its valuations but we still believe there is more to come before the levels that we are seeing in the market are reached.

This robust economic environment has also translated into high occupational demand particularly from the SME sector which is a key element of the Group's tenant base. Continued economic growth, as forecasted by the Organisation for Economic Co-operation and Development ("OECD"), is good news for the SME market which remains of crucial importance for the German economy as a whole. Sirius has benefited from a long track record of being able to meet the continually changing space requirements of these SMEs and expects this to continue going forward.

Financing – Describe your approach to financing and managing interest rate risk.

The Company has no appetite for interest rate risk or other forms of financing risk which is evidenced by the fact 88% of our total debt is fixed with fixed rates or swap contracts and the other 12% has an obligation to fix one year after drawdown. Our stated objective is to achieve a gross LTV rate of less than 40.0% by no later than 31 March 2018 and is currently at 42.3%.

We have built many strong relationships with lenders and developed their confidence in our operating platform which is why they continue to lend to us on favourable terms. The current debt in place is well diversified with facilities from six lenders as at 31 March 2017 and there are a number of other lenders that the Company is speaking with.

The current loan book looks strong with an average cost of borrowing at less than 2.0%, a weighted average debt expiry of 5.8 years and annual interest coverage of more than 8.5 times by the Group's net operating income. Along with the lower LTV levels, we believe that we are currently in a very strong position with our financing.

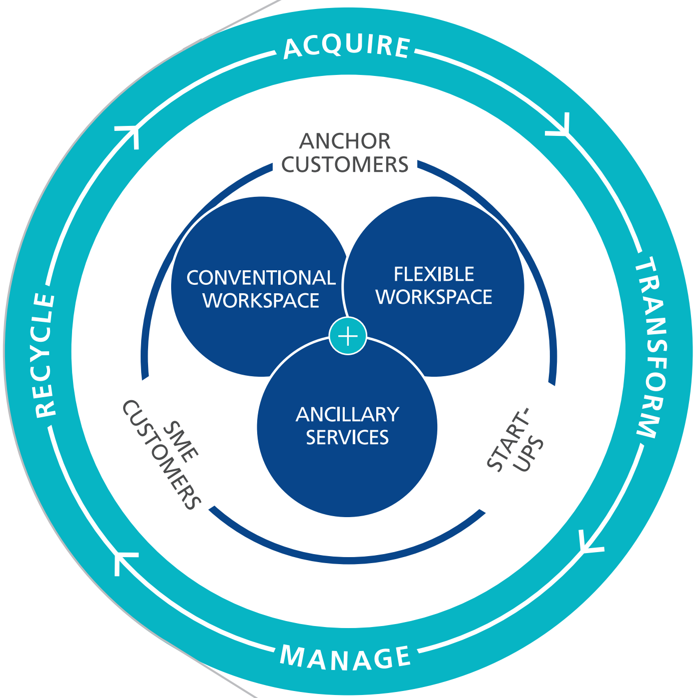
Looking further ahead the availability and terms of financing that are accessible may change; however, we believe we are well positioned to deal with this. Our approach to financing and interest rate risk will always remain steadfast in order to provide as best a platform as possible for us to continue to deliver attractive risk-adjusted returns to shareholders.

Andrew Coombs
Chief Executive Officer
23 June 2017

Our business model
Enhancing our capital

Sirius' cycle

Enhancing rental and capital value through active portfolio management.



ACQUIRE
We seek out underutilised, multi-tenanted, mixed-use properties we can transform into higher yielding workspaces.

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

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

RECYCLE
We sell off mature and non-core assets and use the proceeds to purchase core assets with higher value-add opportunity.

Conventional workspace
- Long term
- Large scale
- Production

Flexible workspace
- Long and short term
- Office
- Production

Ancillary services
- Conferencing
- Catering
- Internet and telephony

Delivering our strategy

The Group's core strategy is the acquisition of business parks at attractive yields and/or with value-add potential which are transformed through investment and asset management to higher quality real estate assets. This transformation includes the reconfiguration and upgrade of existing and vacant space to appeal to the local market, branding of the site and extensive asset management which includes extending anchor tenants, letting up vacancy and significantly improving service charge cost recovery.

The Group continues to be focused on growing both organically and acquisitively as well as recycling mature and non-core assets to free up capital to be used to acquire assets which it can transform and add greater value to.

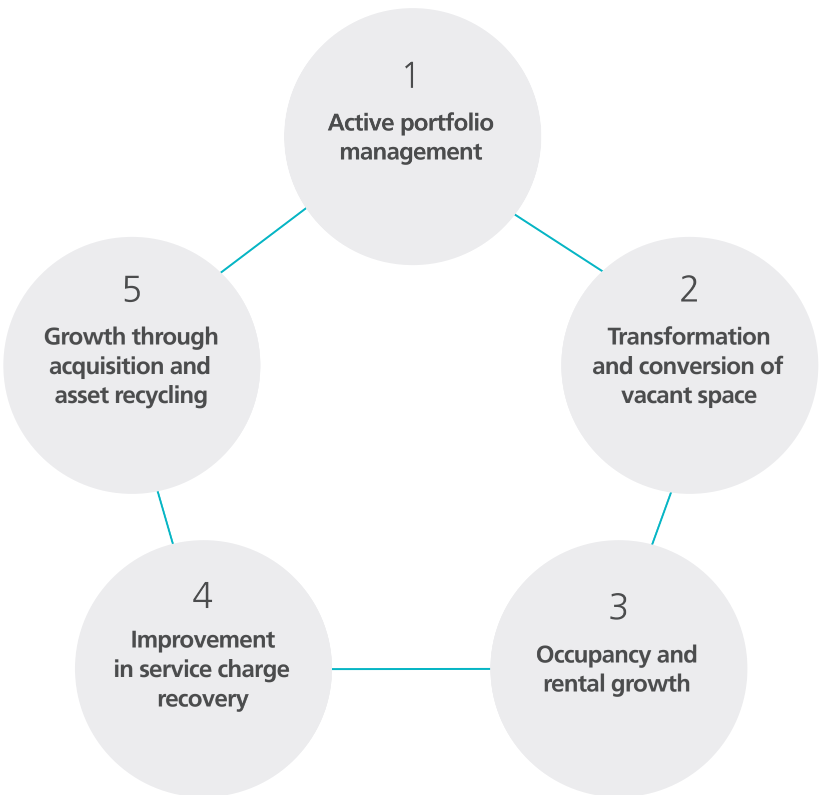
The type of asset that the Group acquires and develops can be divided into three categories as follows:

» Traditional industrial business parks – typically large production sites built many years ago by owner/occupiers and developed for their specific needs.

» Modern mixed-use business parks – typically higher quality office, service and warehouse properties built for multi-tenants in the 1980s and 1990s.

» Office buildings – typically good quality office buildings in secondary or tertiary locations near the big seven major office markets in Germany.

Our five value drivers



1 Active portfolio management

Sirius' main objective is to maximise income and value of all assets through active asset management throughout the period in which they are owned. The Group's asset management platform is predominantly in house and focused on key drivers such as property and tenant management, new lettings, service charge recovery, lease management, tenant renewals and debt collection.

The main asset management initiatives are designed to convert properties into improved, more efficient, higher yielding conventional and flexible workspaces.

Our strategy continued

2 Transformation and conversion of vacant space

The Company's extensive capex investment programme continues to deliver exceptional returns and remains one of the major drivers of organic income and capital value growth. The programme is focused on converting sub-optimal spaces like excess office space, redundant halls and basements into both the Group's conventional and Smartspace flexible workspaces. The investment also includes upgrading common and outside areas as well as branding sites. Often amenities like conferencing rooms, canteens and fitness centres are created on site and let to external operators which bring substantial footfall to sites as well as bringing them to life and adding to the tenant work environment.

The returns that the Company achieves from its capex investment are high as typically they not only include rental income and service charge recovery improvements that come from letting the transformed areas but also include significant valuation uplifts that come from improving the space and business park. The current capex investment programme commenced in January 2014 and is focused on just over 200,000sqm of sub-optimal space and continues to grow as a result of the vacancy in our recent acquisitions. To date around €15.0 million has been invested with 158,691sqm of space being fully transformed resulting in increased annualised rental income of €8.7 million based on 78% of this space being let. The return on investment to date has been 49%.

3 Occupancy and rental growth

The internal asset management platform remains a key differentiator for Sirius over its competitors and plays an integral role in driving occupancy and rental growth. The internal marketing team has developed a significant internet presence over the last ten years and this drives the generation of more than 1,100 leads per month predominantly from the Company's website and the internet portals upon which vacancy is advertised. Once leads have been generated, a dedicated call centre immediately deals with all enquiries and converts approximately 74% of all enquiries into viewings. The on-site sales teams use a structured sales process and are currently converting about 16% of viewings into new deals.

This translates to approximately a 12% conversion rate of all enquires into new lettings which the Company believes is best in class. All aspects of the Company's sales process as well as those of many of its competitors are mystery shopped in order to measure performance and ensure standards are continually met. This highly specialised in-house capability enables the Company to secure and retain tenants without reliance on external agents and brokers and is the key behind being able to realise the full potential of the transformed vacant space that is created through the capex investment programme.

4 Improvement of service charge recovery

The recovery of service charge costs in mixed-use, multi-tenanted business parks typically results in high leakage from net operating income. Over the last ten years, the Group has invested substantially in building an in-house team that is entirely focused on optimising service levels and costs as well as improving service charge recovery levels. These investments include the following:

- developing utilities metering and consolidating purchasing power to negotiate better utilities deals and improve consumption allocation;
- creating detailed equipment lists and matrices to manage maintenance programmes better and improve allocation of these costs;
- increasing service charge prepayments to reduce the need to chase balancing payments at the end of each year; and
- improving the overall cost allocation and recovery process.

The ability to achieve a cost recovery percentage that is higher than occupancy which the Company believes to represent a best in class performance and something the Group is committed to on all its assets going forward.

5 Growth through acquisition and recycling

Sirius has been active in growing its portfolio through acquisitions over the last three years and has been funding these with private placings as well as negotiating favourable banking deals. In order to establish and maintain a balanced portfolio, both opportunistic and stable assets have been acquired within the three categories of assets mentioned at the start of this section.

The Company remains committed to growing the portfolio through the successful recycling of several mature and non-core assets. Opportunities to dispose of non-core and mature assets which have been successfully repositioned are constantly assessed with the intention to recycle capital into new assets with attractive return profiles and greater opportunity to add value.

Our portfolio

Case studies from the period

Office building Aachen – February 2015


External view


Smartspace reception


Smartspace office

Strategy in action

- Site acquired on attractive net initial yield in core location
- Financed to 52% of total acquisition costs at fixed rate interest charge of 1.48% for seven years
- Vacancy developed into a combination of Smartspace Office and conventional office product
- Three existing major tenants renewed and leases extended
- Significant rental income, service charge recovery and valuation improvement since acquisition
- Expected total shareholder return of €10.4 million on invested equity of €9.0 million over 38 month period (33% geared IRR)

	Acquisition €m	As at 31 March 2017 €m	Business plan target – to 31 March 2018 €m	Total expected improvement €m
Total acquisition cost/valuation	18.7	22.4	24.7	6.0
Invested equity	9.0	—	—	—
Annualised rental income	1.8	2.1	2.3	28%
Occupancy	75%	89%	96%	21%
EPRA net yield*	8.3%	8.4%	8.0%	—

	26 month progress – to 31 March 2017 €m	Business plan target – to 31 March 2018 €m	Total expected improvement €m
Retained profit**	3.3	2.0	5.3
Valuation increase	3.7	2.3	6.0
Capex	(0.6)	(0.3)	(0.9)
Cumulative total shareholder return	**6.4**	**4.0**	**10.4**

* Includes purchaser acquisition costs.

** Retained profit calculated as net operating income less bank interest.

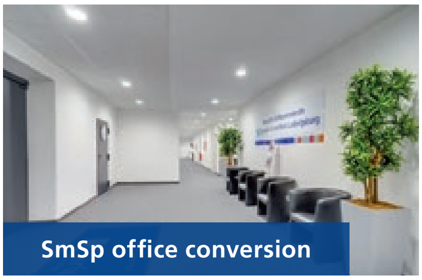
Expected three year returns

	Total expected improvement
Geared IRR	32.7%
Ungeared IRR	17.6%

Our portfolio continued

Traditional industrial business park **Ludwigsburg (Stuttgart) – September 2015**

Outside view



SmSp office conversion

Vacant hall let to Bosch

Strategy in action

- Acquired at attractive gross initial yield of 10.3%
- Financed by five year fully hedged facility at a rate of 1.66% until maturity in October 2020
- Annualised rental income increase of 24.7% in 19 months of ownership with further improvements to come from occupancy
- Capex investment made to convert sub-optimal and basement space into high yielding Smartspace office and Storage products
- Significant improvements made in service charge recovery due to implementation of Sirius cost control measures, allocation techniques and increases in prepayments
- Expected total shareholder return of €10.3 million on invested equity of €5.1 million over 36 month period (49% geared IRR)

	Acquisition €m	As at 31 March 2017 €m	Business plan target – to 30 September 2018 €m	Total expected improvement €m
Total acquisition cost/valuation	7.4	10.0	16.1	8.7
Invested equity	5.1	—	—	—
Annualised rental income	1.0	1.2	1.6	60%
Occupancy	76%	77%	97%	21%
EPRA net yield*	10.3%	9.3%	8.5%	—

	19 month progress – to 31 March 2017 €m	Business plan target – to 30 September 2018 €m	Total expected improvement €m
Retained profit**	1.3	1.5	2.8
Valuation increase	2.5	6.2	8.7
Capex	(0.6)	(0.6)	(1.2)
Cumulative total shareholder return	**3.2**	**7.1**	**10.3**

* Includes purchaser acquisition costs.

** Retained profit calculated as net operating income less bank interest.

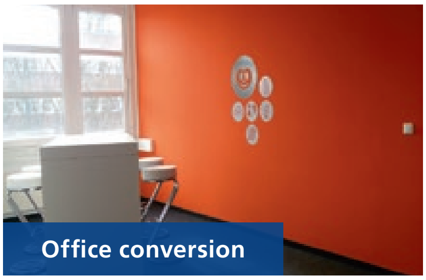
Expected three year returns

	Total expected improvement
Geared IRR	49.2%
Ungeared IRR	37.0%

Modern mixed-use business park **Berlin Mahlsdorf – December 2014**


Typical building on site


Shell and core space


Office conversion

Strategy in action

- Site acquired on attractive net initial yield
- Financed by seven year fixed rate facility charging 1.48% interest until maturity in October 2023
- Significant shell and core office space acquired which will be transformed into office and storage products through our capex investment programme
- Strong letting activity resulting in increases in occupancy primarily responsible for 16.7% increase in annualised rental income
- Expected total shareholder return of €8.8 million on invested equity of €9.7 million over 39 month period (27% geared IRR)

	Acquisition €m	As at 31 March 2017 €m	Business plan target – to 31 March 2018 €m	Total expected improvement €m
Total acquisition cost/valuation	19.6	23.7	24.3	4.7
Invested equity	9.7	—	—	—
Annualised rental income	1.8	2.1	2.1	17%
Occupancy	86%	94%	97%	11%
EPRA net yield*	8.1%	8.1%	7.5%	—

	28 month progress – to 31 March 2017 €m	Business plan target – to 31 March 2018 €m	Total expected improvement €m
Retained profit**	3.3	1.8	5.1
Valuation increase	4.1	0.6	4.7
Capex	(0.7)	(0.3)	(1.0)
Cumulative total shareholder return	**6.7**	**2.1**	**8.8**

* Includes purchaser acquisition costs.

** Retained profit calculated as net operating income less bank interest.

Expected three year returns

	Total expected improvement
Geared IRR	26.8%
Ungeared IRR	14.3%

Our markets
Continuing growth

The markets in which the Group operates continue to see growth, meaning demand for both our conventional and flexible workspace continues to be strong.

The Group currently operates only in the German real estate market and focuses on the industrial, storage and office sectors. Most of the assets are located in and around six of the big seven German markets and the Company is looking to include Hamburg if opportunities arise. It currently owns and manages a portfolio of 44 mixed-use business parks and office buildings across Germany which are marketed under the Company's brand. The three major types of property the Group owns are traditional light-industrial business parks, modern mixed-use business parks and pure office buildings. The traditional business parks generally offer a combination of conventional light-industrial, storage and office space as well as some flexible workspace such as serviced offices, self-storage and workboxes, whereas the modern business parks are more focused on office, service and warehouse space. The Group also has a broad tenant base ranging from large blue-chip corporations occupying large production halls on long-term leases, down to individuals who rent a storage box on a monthly basis, with the most common tenant being the German SME.

As such, the Group benefits from the dynamics of the German economy and SME market, which continue to see growth, and the Group is well placed to take advantage of continuing demand for both its conventional space and flexible workspace.

German economy

Germany is the largest economy in Europe, with a GDP of $48,908 per capita ($3.4 trillion) which represents 20.1% of the total EU GDP. The economy has recovered since the financial crisis of 2008–09, delivering real GDP growth above that of the EU15 (the original 15 EU members). This performance is expected to continue, with GDP forecast to grow by 1.6% in 2017 according to the OECD.

Germany has the second lowest rate of unemployment in the EU at around 4.1% (Statista) and this positive trend is expected to continue. This is pushing private consumption expenditure, which is a key driver of Germany's economic growth.

Monetary policy in Germany continues to be accommodating to both business and consumer spending and a competitive manufacturing sector is driving strong export performance. The prolonged favourable financing conditions continue to provide stimuli for real estate and capital investment; however, the German real estate sector is well positioned to absorb a rise in borrowing costs should this eventuate.

German SME market

A significant part of the Group's strategy is to provide flexible workspace for the German SME market.

SMEs continue to represent a fundamental pillar of the German economy and form a significant part of the Group's tenant base. According to KfW, 99.95% of German enterprises are SMEs and 68% of workers (29.1 million people) are employed by an SME in Germany. Within the SME category are microenterprises with fewer than ten employees and these account for 34% of workplaces in Germany. These are the tenants to which the Group's flexible space offerings are most appealing and the Company's marketing platform continues to attract them to the Sirius sites.

German commercial real estate market

Office market

The demand for office space in German cities has intensified particularly in the seven largest office markets. Take-up of space year on year in 2016 was approximately 15% higher than the year before and significantly higher than the last ten year average. Rental price trends across Germany as a whole are positive with Berlin, Düsseldorf, Hamburg, Stuttgart and Munich showing the best growth in average rents.

99.95%

of German enterprises are SMEs

68%

of workers (29.1 million people) are employed by an SME in Germany

The Group has recently acquired a number of business parks with high office content around the key German office markets and both the high demand and increasing rental rates are evident as it executes its investment and letting strategy to fill these new assets.

The major office markets in Germany have also seen yields come in significantly over the last seven years with prime yields dropping to under 4.0% in all of the major markets and under 3.5% in Munich, Berlin and Hamburg. The positive movement has also been seen in the secondary and tertiary locations around these prime areas and the Group should expect to see some significant benefit from that over time.

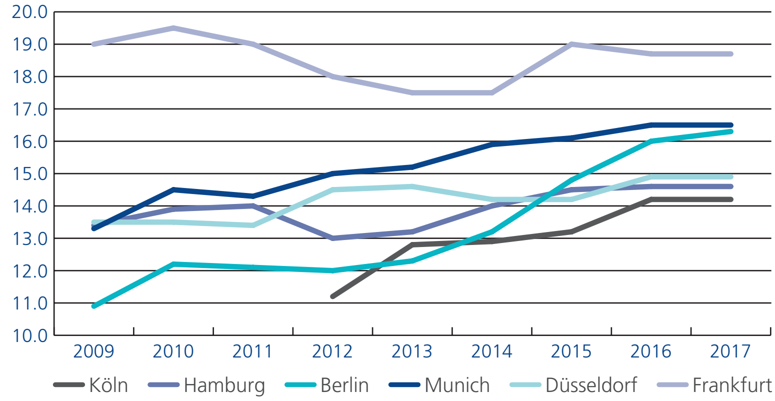
Industrial real estate market

The German industrial real estate asset class is quite broad but in general it has significantly benefited in recent years because of improved investor understanding, availability of debt financing and the relatively high yields compared to other asset classes. This has resulted in higher demand, higher transaction volume and yields coming in across all categories of the sector. What has been evident from the independent market research which has been conducted on the sector is that yields on industrial assets that have been converted into fully refurbished, highly let, better quality multi-let business parks are much lower than similar assets which have not undergone the transformation. This bodes well for the Sirius business model, which is based on converting lower quality assets in need of investment into the more desired "converted property" category.

Demand for space in the industrial market remains strong, particularly for smaller units which are not always provided by the Group's competitors.

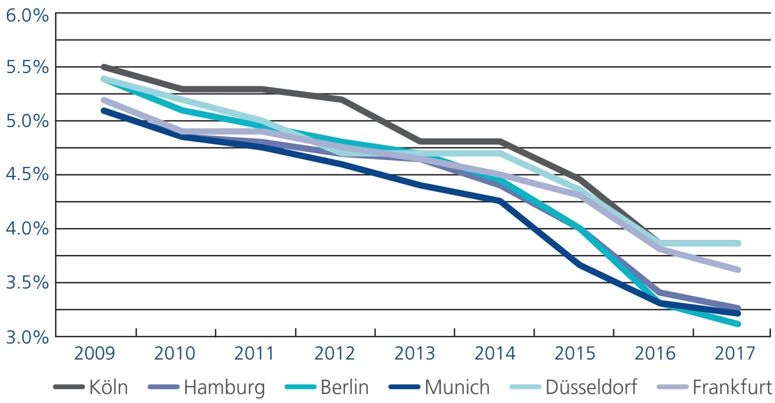
> A significant part of the Group's strategy is to provide flexible workspace for the German SME market."

Average office rent in €/sqm/month



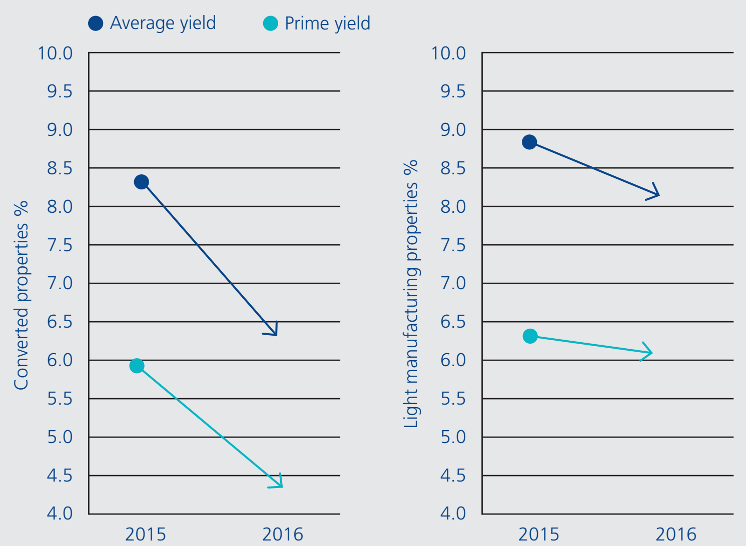
(Source: Savills 2017, Thomas Daily).

Development office yields



(Source: BNP 2017, JLL 2017, Thomas Daily).

Average and prime yields – converted properties and light manufacturing properties



(Source: Initiative Unternehmensimmobilien Market Report "Second half-year 2016").

KPIs
Measuring our performance...

KPI	KPI measure

ADJUSTED PROFIT BEFORE TAX (€M)

Reported profit before tax adjusted for property revaluation, changes in fair value of derivative financial instruments and other adjusting items including expenses relating to the LTIP.

€35.3m ↑ 54.1%

17	35.3
16	22.9
15	12.6

EPRA EARNINGS PER SHARE (C)

EPRA earnings per share is a definition of earnings as set out by the European Public Real Estate Association. EPRA earnings represents earnings after adjusting for property revaluation, changes in fair value of derivative financial instruments, profits and losses on disposals and deferred tax in respect of EPRA adjustments.

3.18c ↑ 69.1%

17	3.18
16	1.88
15	1.41

DIVIDEND PER SHARE (C)

Total dividend for the reporting period.

2.92c ↑ 31.5%

17	2.92
16	2.22
15	1.61

PROPERTY VALUATION (€M)

The book value of investment property including that categorised as held for sale as derived from an independent valuation performed by Cushman & Wakefield LLP.

€823.3m ↑ 19.8%

17	823.3
16	687.5
15	545.6

EPRA NAV PER SHARE (C)

EPRA NAV per share is a definition of net asset value as set out by the European Public Real Estate Association. EPRA NAV represents net assets after adjusting for derivative financial instruments and deferred tax relating to valuation movements and derivatives. EPRA NAV per share takes into account the effect of the granting of shares relating to long term incentive plans.

57.84c ↑ 9.7%

17	57.84
16	52.72
15	47.91

AVERAGE RATE PER SQM (€)

Average letting rate per sqm the total portfolio.

€5.27 ↑ 4.2%

17	5.27
16	5.06
15	4.85

OCCUPANCY (%)

Percentage of total lettable space occupied as at reporting date.

80.5% ↑ 0.5%

17	80.5
16	80.0
15	79.0

...against strategy

Commentary	FY17/18 ambition	Link to strategy
Recurring profit for the year ended 31 March 2017 was €35.3 million, representing an increase of 54% on the same period the previous year.	To continue increasing adjusted profit before tax through acquisitive and organic growth.	1 2 3 4 5
EPRA earnings per share for the year ended 31 March 2017 was 3.18c, representing an increase of 69% on the previous year.	To continue increasing EPRA earnings per share through acquisitive and organic growth.	1 2 3 4 5
The final dividend declared of 1.53c represents an increase of 17.7% on the same period the previous year. The total dividend for the year is 2.92c, an increase of 31.5% on the prior year. The Company continues to offer shareholders the ability to receive dividends in scrip rather than cash.	To grow the dividend primarily through the accretive impact on earnings of acquisitions and the continued roll-out of the capex investment programme. The Company remains committed to its policy of paying shareholders at least 65% of Funds from Operations ("FFO") semi-annually. See note 25 of this report for further details.	1 2 3 4 5
The book value of the Group's investment property increased by 19.7% as a result of both acquisition and organic growth. The like-for-like portfolio increased by €58.3m or 8.5%. The portfolio is valued at an average gross yield of 8.6% (31 March 2016: 8.8%) and net yield of 7.5% (31 March 2016: 7.6%).	To grow the value of the Group's portfolio through acquisitions and valuation increases by increasing income across the portfolio. This is most value accretive when created through the development and letting up of sub-optimal or under utilised space through the Group's capex investment programme.	1 2 3
EPRA NAV per share increased in the period by 9.7% to 57.84c (31 March 2016: 52.72c). This is mainly attributable to the valuation increases seen in the year, as well as retaining 35% of the FFO which is generated.	To grow EPRA NAV per share through the Group's asset management initiatives for organic growth and asset recycling.	2 3
The average rate per sqm increased to €5.27 at 31 March 2017 from €5.06 at the same point of the previous year, representing an increase of 4.2%.	To continue to grow average rate and rental income whilst also improving the quality of the sites through investment and management of the tenant base.	1 2 3
Occupancy increased to 80.5% in the period, a record high for the Company despite acquiring a number of sites with high vacancy.	To remove most of the vacancy from sub-optimal space by transforming this space into higher quality conventional space and Smartspace. We will continue to market for sale the two non-core sites in Bremen which have 82,171sqm of vacant space which is considered structural void.	1 2 3

Asset management review

An excellent track record...

Introduction

The Sirius in-house asset and property management model continues to be a significant driver of value across the business and one of the key reasons that the Company is able to make the level of returns on its assets that it does. While common practice is to outsource many of the key functions of asset and property management, Sirius continues to reap the rewards that come with being able to manage its portfolio with its own dedicated resources. This is conducted through a highly specialised operating platform with a substantial IT infrastructure and over 230 employees, and continues to focus on acquisitions, disposals, financing, capital investment and development, lettings, service charge recovery, supplier management, debt collection, lease management, financial reporting and many other aspects of portfolio management. Progress on all elements has been made in the year under review, which continues the Company's strong track record in growing profits and adding significant value to the portfolio.

Acquisitions

The Company has successfully continued its acquisitions programme, which in the period was funded by a €30.0 million equity raise in June 2016 along with the refinancing and increasing by €57 million of two banking facilities with Berlin Hyp AG and Deutsche Pfandbriefbank AG. This allowed the Company to complete the acquisition of €80.4 million of assets including the Frankfurt asset which completed post year end, as detailed in the following table:

Site	Total investment (incl. acquisition costs) €	Cost per sqm €	Annualised acquisition rental income €	Annualised acquisition NOI €	EPRA net initial yield %	Acquisition occupancy %	Acquisition vacant sqm
Dreieich	4,584,000	355	287,000	41,000	0.9%	29%	9,110
Dresden	28,600,000	538	2,781,000	2,376,000	8.3%	66%	18,222
Frankfurt*	4,498,000	1,107	153,000	44,000	1.0%	28%	2,926
Krefeld	13,475,000	1,176	1,219,000	1,138,000	8.4%	94%	730
Krefeld II	2,894,000	457	391,000	380,000	13.1%	100%	—
Markgröningen	8,720,000	154	1,322,000	905,000	10.4%	67%	17,845
Wiesbaden	17,658,000	901	1,878,000	1,598,000	9.1%	65%	6,945
Total	**80,429,000**	**490**	**8,031,000**	**6,482,000**	**8.1%**	**66%**	**55,778**

* Completed post year end.

These assets were purchased on an exceptional blended yield of 8.1% considering the 55,778sqm (34% of the total) of vacancy that came with them. As such, not only will these assets produce high initial cash-on-cash returns, but, with investment and asset management, will provide significant value-add opportunity as well going forward. Following the period end an additional acquisition located in Cologne was purchased for total acquisition costs of €22.9 million bringing total acquisition expenditure to €103.3 million.

78%
of space completed

€15.0m
Capex Invested to 31 March 2017

€8.7m
Increase in annualised rent roll to 31 March 2017

€7.2m
Further investment expected

...in growing profits

Disposals and asset recycling

It was indicated in our Interim Report that we would look to recycle assets by disposing of mature and non-core assets and replacing them with assets with higher opportunity. In the period the disposal of one non-core asset was completed and two mature assets were notarised. These completed post year end along with the notarisation of the disposal of another mature core asset. In total, that is €108.9 million of disposals as detailed in the following table:

Site	Total proceeds €	Total sqm	Annualised rental income €	Annualised NOI €	EPRA net initial yield***	Exit occupancy %
Munich RMS*	85,000,000	58,585	5,420,000	5,282,000	5.9%	88%
Düsseldorf*	11,000,000	16,607	884,000	851,000	7.2%	96%
Merseburg	5,870,000	13,610	726,000	496,000	7.9%	74%
Kiel**	7,000,000	10,063	594,000	562,000	7.4%	92%
Total	**108,870,000**	**98,865**	**7,624,000**	**7,191,000**	**6.3%**	**88%**

* Assets held for sale at 31 March 2017.

** Notarised post period end.

*** Includes estimated purchaser costs.

In addition to the sales of assets detailed above, a land parcel was sold in the period for total proceeds of €1.5 million.

The Company is actively seeking to replace these assets with higher opportunity assets and has completed or notarised the following acquisitions:

Site	Total investment (incl. acquisition costs) €	Cost per sqm	Annualised acquisition rental income €	Annualised acquisition NOI €	EPRA net initial yield %	Acquisition occupancy %	Acquisition vacant sqm
Cologne*	22,904,000	1,126	2,038,000	1,849,000	8.1%	100%	105
Grasbrunn	18,075,000	1,222	97,000	(239,000)	(1.3)%	4%	14,279
Mahlsdorf II	6,394,000	499	531,000	387,000	6.1%	62%	4,845
Neu-Isenburg	9,635,000	1,205	472,000	348,000	3.6%	41%	4,692
Neuss	15,773,000	864	669,000	361,000	2.3%	38%	11,344
Total	**72,781,000**	**981**	**3,807,000**	**2,706,000**	**3.7%**	**53%**	**35,265**

* Completed post period end.

Together these acquisitions also present a combination of secure, high yielding income in the Cologne asset with much greater opportunity in the Grasbrunn, Neu-Isenburg, Neuss and Mahlsdorf assets within the key areas of Munich, Düsseldorf, Cologne, Frankfurt and Berlin. The higher concentration of office space within these assets also plays into the strengths of Sirius where it can utilise its sales and marketing platform to fill up the vacancies with a combination of conventional lettings and its Smartspace Office products.

After the completion of the March 2017 equity raise, disposals and acquisitions detailed above, the Company will have the resources, with further bank facilities, to acquire around €65 million of additional assets.

Capex investment programme

Unlocking value through the transformation of vacant and sub-optimal space has been and continues to be a core part of the Group's business strategy. A detailed knowledge of the markets in which Sirius operates has been built up over the last ten years and this knowledge is paramount to being able to create the right solution for the more difficult vacancy within the portfolio. An innovative range of products has been developed with the conversion of sub-optimal space in mind which means Sirius is well positioned to convert and manage the more complex spaces in its sites very effectively. We believe that this provides the Company with a significant competitive advantage over other companies that operate mixed-use industrial business parks and office assets. Our capex investment programme has already delivered exceptional returns and is key to delivering the total shareholder returns we see at the asset level. For more detail on this please see our case studies section on pages 15 to 17.

The original capex investment programme commenced just over three years ago and is focused on over 200,000sqm of sub-optimal space suitable for transformation. As at 31 March 2017 158,691sqm of this space had been completely refurbished and was either let or being marketed for let. A total of €14.2 million has been invested into this space and, at 61% occupancy, this space is generating €8.7 million of annualised rental income representing a return on investment of 49%. This return does not include the additional benefit of improved cost recovery from letting this space or the valuation increase that was generated by this investment.

Asset management review continued

Capex investment programme continued

More detail on the programme to date is provided in the following table:

Capex investment programme progress	Sqm	Investment budgeted €	Actual spend €	Annualised rental income increase budgeted €	Annualised rental income increase achieved to 31 March 2017 €	Occupancy budgeted %	Occupancy achieved to 31 March 2017 %	Rate per sqm budgeted €	Rate per sqm achieved to 31 March 2017 €
Completed	158,691	17,690,000	14,160,000	9,192,000	8,684,000	85%	78%	5.69	5.86
In progress	20,694	3,946,000	805,000	979,000	—	82%	—	4.81	—
To commence in next financial year	22,460	3,273,000	—	1,061,000	—	80%	—	4.92	—
Total	**201,845**	**24,909,000**	**14,965,000**	**11,232,000**	**8,684,000**	**84%**	**—**	**5.52**	**—**

The original capex investment programme still has significant potential in increasing rents and values further with 43,154sqm of space still to be converted. The total programme is expected to require a further €7.2 million of investment which is expected to produce €2.5 million of annualised rental income. The space is estimated to be fully converted by March 2018 and the income potential realised by September 2018.

In addition to the original capex investment programme, the acquisitions which completed in the year under review as well as the asset recycling programme are both contributing substantial sub-optimal vacancy for investment. To date a further 44,977sqm of space has been identified for investment on these assets as detailed in the following table:

Site	Total vacant sqm at 31 March 17	Sub-optimal vacancy (for capex plan) sqm at 31 March 17	Expected investment €	Expected annualised rental income €	Expected occupancy %
Markgröningen	15,963	14,180	1,166,000	445,000	80%
Krefeld	1,342	208	18,000	21,000	80%
Dresden	20,585	12,510	2,822,000	759,000	80%
Wiesbaden	6,159	5,984	2,092,000	642,000	89%
Dreieich	9,352	9,311	1,598,000	746,000	80%
Krefeld II	—	—	—	—	—
Frankfurt	2,978	2,784	586,000	272,000	80%
Cologne	105	—	—	—	—
Total	**56,484**	**44,977**	**8,282,000**	**2,885,000**	**80%**

As the Company continues to grow, further vacant and sub-optimal space will be identified and added to the capex investment programme.

Lettings and rental growth

The year under review also represented another successful lettings period with continued strong demand for both flexible and conventional workspace primarily from the Group's core German SME customers. New lettings of 151,320sqm at an average rate of €5.60 per sqm were signed during the period (2016: 150,864sqm at €5.33 per sqm).

The consistently high levels of new lettings which have been seen in recent years are indicative of the effectiveness of the Company's operating platform which again generated more than 85% of its customer leads in the period from its website and the online portals that it uses. Additionally it was able to convert 12% of all leads into new lettings, which is extremely efficient compared to industry standards. This was achievable because Sirius continues to have the largest sales force in the industry operating under a clearly structured sales process and managed through a combination of daily monitoring and regular mystery shopping.

The Group also experienced total move-outs in the period of 128,211sqm at an average rate of €5.54 per sqm (2016: 154,704sqm at €4.52 per sqm). Combined with new lettings and acquisitions, this translated into an increase of occupancy across the entire portfolio in the period to 81% (31 March 2016: 80%). Whilst this represents the highest occupancy that the Company has operated at before, it was reduced somewhat by the fact that most of the acquisitions in the period came with significant vacancy. We expect this trend to continue over the following year as many of the acquisitions which are expected to complete post year end also have vacancy. This is important for fuelling the capex investment programme going forward after the original programme is completed.

The combination of the tenant churn, contractual rental increases, uplift on renewals and capex investment programme has resulted in the average rate per sqm across the whole portfolio increasing to €5.27 per sqm (31 March 2016: €5.06 per sqm), and on a like-for-like basis* increasing to €5.15 per sqm (31 March 2016: €5.01 per sqm). The like-for-like annualised rental income* on the assets held or acquired near the start of the period increased to €65.6 million from €62.4 million at 31 March 2016. This represents a 5.1% growth of rent roll in the period coming predominantly from asset management and the capex investment programme. The total annualised rental income for the entire portfolio at the period end increased to €71.0 million (31 March 2016: €60.5 million).

* Includes the Krefeld and Markgröningen acquisitions and excludes the Merseburg disposal.

Tenant portfolio mix and breakdown

Despite the relatively high tenant churn across the portfolio, Sirius' Senior Management Team continues to maintain the desired tenant mix between major anchor tenants, which are often blue-chip manufacturing companies which occupy the large production areas; the smaller SME tenants, which occupy various types of space on a conventional lettings basis; and the micro SME tenants, which are most commonly associated with the high yielding flexible Smartspace products. The former provide our banks with the comfort, stability and lease term lengths that they prefer in order to offer us the most competitive interest rates whereas the flexible tenants contribute significantly to generating higher returns.

Our top 50 anchor tenants, many of which are internationally recognised names and have been on site for many years, represent 48% of total annualised rental income as at 31 March 2017 with the remaining 52% coming from the large number of smaller SME tenants which are on conventional and Smartspace leases. The Smartspace annualised rental income has increased to €4.8 million in the period (31 March 2016: €3.7 million) on the back of creating more Smartspace product through the capex investment programme as well as letting up more of the Smartspace vacancy. This is analysed in more detail in the next section.

A weighted average lease expiry across the entire portfolio of 2.5 years was in line with the previous period. However, the security of the income in place is enhanced by the fact that many of the anchor tenants are significantly invested and have had a long association with the site that they occupy, which is why they view operational continuity in their current location as a key success criterion for the future of their businesses.

The table below illustrates the tenant mix across our portfolio at the end of the reporting period:

Type of tenant	No. of tenants as at 31 March 2017	Occupied sqm	Annualised rental income €	% of total annualised rental income	Rate per sqm €
Top 50 anchor tenants	50	539,318	33,982,000	48%	5.25
Smartspace SME tenants	1,993	60,577	4,835,000	7%	6.65
Other SME tenants	2,046	522,810	32,185,000	45%	5.13
Total	**4,089**	**1,122,705**	**71,002,000**	**100%**	**5.27**

Smartspace

During the year our Smartspace products have continued to prove popular with tenants seeking a flexible workspace solution. The four Smartspace products are specifically designed to provide flexibility for the changing requirements of small businesses and include a fixed price in order to provide the certainty that these customers need.

From an investment point of view, the returns that are achieved on Smartspace conversion are high, particularly when sub-optimal space is converted. A significant part of the capex investment programme involves Smartspace conversion and conversion from Flexilager to other Smartspace products and in the period a further 4,054sqm of Smartspace Office, 2,240sqm of Smartspace Workbox and 11,127sqm of Smartspace Storage were created from sub-optimal space.

Reflecting its increasing popularity, occupancy of Smartspace products increased to 68% (31 March 2016: 62%) in the period and rate per sqm increased to €6.65 per sqm (31 March 2016: €6.33 per sqm). The rental rates achieved on Smartspace Office and Smartspace Storage in particular remain materially higher than those typically achieved on conventional space. The table below gives more detail on the Smartspace offerings across the whole portfolio:

Smartspace product type	Total sqm	Occupied sqm	Occupancy %	Annualised rental income (excl. service charge) €	% of total annualised rental income	Rate per sqm (excl. service charge) €
Smartspace Office	32,573	26,545	81%	2,500,000	52%	7.85
Smartspace Workbox	5,758	4,712	82%	342,000	7%	6.04
Smartspace Storage	30,463	20,432	67%	1,404,000	29%	5.72
Subtotal	**68,794**	**51,689**	**75%**	**4,246,000**	**88%**	**6.84**
Smartspace Flexilager*	20,433	8,889	44%	590,000	12%	5.53
Smartspace total	**89,227**	**60,578**	**68%**	**4,836,000**	**100%**	**6.65**

* Not adjusted for common areas.

Smartspace currently contributes around 7% of the annualised rental income of Sirius.

Sustainability

Corporate social responsibility

Environment

Where practically possible, Sirius seeks to reduce its environmental impact and encourage sustainability initiatives. We actively manage our impact on the environment and work hard to ensure that space is maximised to its full potential. A fundamental part of our business model involves reconfiguring former industrial buildings and in doing so we extend the life and use of these ageing structures. We endeavour to ensure tenants are better equipped to manage their energy consumption and have made substantial progress in installing meters across many of our sites thereby facilitating the measurement and improvement of efficiencies in terms of the delivery and consumption of utilities throughout our portfolio of properties.

Community

Sirius has enthusiastic and passionate employees who are keen to support their community with worthwhile events. Sirius focuses attention on community causes in which employees have a personal interest and wish to be actively involved. We believe this ensures a deep commitment to the cause and enables us to see the direct impact of our support. Sirius continues to support many charities across Germany, both regionally and nationally, with a particular focus on youth, health and education.

People

Sirius recognises the importance of professional development for all employees within the Group. The Sirius Akademie internal training programme offers training for key employees across a range of topics including communication, finance and facility management. The Akademie has been running since 2009 and in 2016 alone there were 15 training courses available to staff with a total of 184 employees attending. In March 2017 the Leadership Development Initiative was introduced. This is a quarterly development programme for all team leaders providing participants with a specific framework within which to lead and manage their individual teams as the Company expands.

Sirius facilities Academy

Employee health and wellbeing awareness is actively promoted by Sirius with sports activities supported on a regular basis including team sports events conducted throughout the year.

To support employee health awareness in April 2016 all employees received a Fitbit Fitness Tracker enabling everyone to participate in regular Company-run individual and team competitions set up to improve employee health and encourage team spirit.

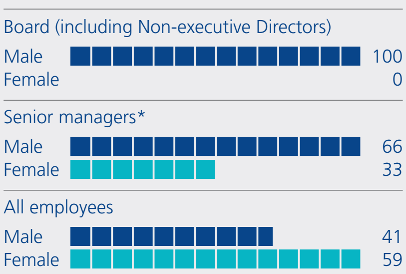
Diversity

Sirius has a diverse workforce and in 2014, the German Charter of Diversity was signed, making Sirius an official member. We are committed to equal opportunities and our diversity policy aims to ensure that no employee receives less favourable treatment because of gender, marital status, race, age, sexual preference, religion, belief or disability. As part of the Company's obligations under the German Charter of Diversity all employees undertake basic training relating to equal rights in the workplace (Allgemeines Gleichstellungsgesetz) and we take steps to ensure this culture transcends our employees, as well as the providers of services to our business parks.

We attract a diverse workforce in terms of nationalities employed, evidenced by a recent analysis of job applications received for a Business Analyst position whereby the nationalities of the applicants were from 23 countries. As the Company uses both the German and English languages the Company provides language courses for all employees who wish to participate.

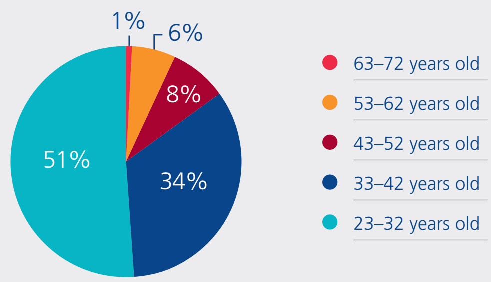
The Sirius Real Estate Limited Board at the Main Market Ceremony at the London Stock Exchange on 6 March 2017.

Gender diversity of the Board and the Company as at 31 March 2017 (%)



* A senior manager is an employee of the Company who has responsibility for planning, directing or controlling the activities of the Company, or a strategically significant part of the Company.

Age proportion – active employees (%)



Financial review

A strong and busy year

> The success of the acquisitions and capex investment programme has been a major contributor to the performance in the period."

The year ended 31 March 2017 has again delivered a strong trading performance which continues to be driven by a combination of organic and acquisitive growth. The success of the acquisitions and capex investment programmes has been a major contributor to this performance and it is expected that the asset recycling programme will also prove beneficial in future years as the new investments are made mature. Total shareholder return, based on an adjusted net asset value ("adjusted NAV") per share, continues to be a strong indicator of the Group's annual performance and we recorded a 15.3% return in the period (31 March 2016: 16.0%). This would have been 17.1% without the effect of the conversion of the €5.0 million convertible loan note in June 2016. Consistently delivering this kind of performance whilst significantly growing the business has been one of the key factors behind the strong shareholder support as evidenced by multiple successful capital raisings the Company has experienced over the last few years.

Trading performance

For the year under review, total income was €68.8 million (2016: €55.8 million) with profit before tax increasing to €76.4 million (2016: €57.1 million), including €49.8 million of gains from property revaluations (2016: €44.2 million). The adjusted profit before tax* for the period was up 54% to €35.3 million (2016: €22.9 million) whilst Funds from Operations** ("FFO") increased by 48% to €37.1 million (2016: €25.0 million). On a per share basis all of the key earnings metrics have shown positive movement in the period, which can be seen in the following table:

* Reported profit before tax adjusted for property revaluation, change in fair value of derivative financial instruments and other adjusting items including expense relating to the Long Term Incentive Plan.

** Adjusted profit before tax adjusted for depreciation, amortisation of financing fees and current tax receivable/incurred.

	Year ended 31 March 2017 c	Year ended 31 March 2016 c	Improvement %
Basic EPS	**8.13**	7.51	8.3
Adjusted EPS	**4.25**	3.16	34.5
Basic EPRA EPS	**3.18**	1.88	69.1
Diluted EPRA EPS	**3.09**	1.78	73.6

FFO is the profit number upon which dividends are determined and the 48% increase mentioned above can be approximately attributed to acquisitions 47%, organic growth 25% and improvements to banking terms 28%, which is broadly consistent with the prior year. The asset recycling programme is expected to have an initial reduction to earnings whilst disposal proceeds are being reinvested; however, the opportunities for future growth after the completion of the reinvestment will be significantly higher.

In light of the very significant disposals made by the Company that completed at the start of the new financial year, in particular the sale of Rupert Mayer Strasse, and the consequential temporary impact on earnings as it recycles the proceeds of sale into new opportunities, in order to maintain its dividend trajectory the Company may consider, for the current financial year, either temporarily increasing the pay-out ratio over 65% of FFO or paying a small element of special dividend, linked to the profits made on those disposals. The Company has successfully continued its acquisition programme as set out in the asset management review and the Board looks forward to updating shareholders with progress in its capital recycling in due course.

Organic growth has mainly come from rental income increases arising from the capex investment programme and other asset management initiatives. There has also been some further improvement in service charge recovery due to a combination of slightly higher occupancies, further improvements to allocation methods and significant increases in tenant prepayments reducing the need to collect large balancing invoices at the end of the year. As at 31 March 2017,

Financial review continued

Trading performance continued

the annualised rental income of the entire portfolio of 44 business parks was €71.0 million (31 March 2016: €60.5 million), of which €8.1 million relates to the six acquisitions that completed in the period. The annualised rental income at the period end for the portfolio which was owned at the start of the period*** was €65.6 million compared to €62.4 million at the start of the year. This represents another 5.1% increase in like-for-like rental income generated in the year which is encouraging considering the low inflation environment which exists in Europe. Annualised rental income will fluctuate over the next year because of the sales of the Kiel, Düsseldorf and Munich Rupert Mayer Strasse business parks and the purchase of the replacement assets which will be acquired with these disposal proceeds.

*** Includes the Krefeld and Markgröningen acquisitions which completed in May 2016 and excludes the Merseburg disposal.

Portfolio valuation

The portfolio was independently valued at €829.7 million by Cushman & Wakefield LLP (31 March 2016: €695.2 million) which converts to a book value of €823.3 million after the provision for tenant incentives and the €5.0 million Directors' impairment of a non-core asset in Bremen. The portfolio which was owned at 31 March 2016, excluding the sold Merseburg asset and land at CöllnParc, increased in value by 8.5% or €58.3 million from €686.9 million to €745.2 million (31 March 2016: 10.9%). The valuations of the six sites that were acquired in the period were €84.5 million or 11.2% higher than their total acquisition costs. These increases have come predominantly from effective asset management as only 32bps of yield compression was applied to the core portfolio in the period. This confirms the high returns from both an income and valuation perspective that are being achieved from the investment into our capex investment programme and that we continue to purchase assets at discounted prices.

The entire portfolio as at 31 March 2017 comprised 44 assets and had a book value of €823.3 million which can be reconciled to the market valuation as follows:

Valuation reconciliation to book value	**31 March 2017 €m**	31 March 2016 €m
Investment properties at market value	**829.7**	695.2
Uplift in respect of assets held for sale	**1.6**	—
Adjustment in respect of lease incentives	**(3.0)**	(2.4)
Directors' impairment of non-core asset valuations	**(5.0)**	(5.3)
Balance as at period end	**823.3**	687.5

Focusing on the core portfolio, the 31 March 2017 book valuation of €804.3 million represents an average gross yield of 8.5% (31 March 2016: 8.7%), a net yield of 7.6% (31 March 2016: 7.9%) and an EPRA net yield (including purchaser costs) of 7.1% (31 March 2016: 7.3%) which highlights the 32bps of yield compression that we have seen in the period. The average capital value per sqm of the core portfolio* is €628 (31 March 2016: €593) which is still below replacement cost.

* Adjusted for the sale of land at CöllnParc.

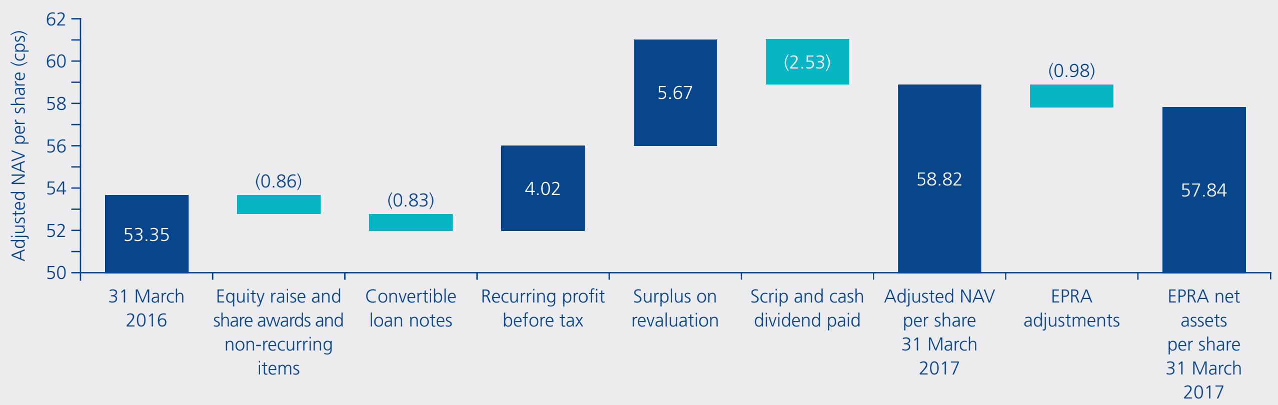
It is commonly believed that assets which have been completely renovated and are close to being fully let are worth more than those that still require investment and have vacancy. If true, then it provides further support for the high returns that are potentially achievable from our investment programme. When we make this split within the entire Sirius portfolio the valuation metrics support the valuation benefits of the investment into our assets, as can be seen in the following table:

	Book value €m	Annualised rental income €m	Annualised net operating income €m	Gross yield %	Net yield %	Capital value per sqm €	Occupancy %	Rate per sqm €	Vacant space sqm (000)
Core value add	435.5	38.4	33.3	8.8%	7.6%	569	79%	5.49	156
Core mature	368.8	29.6	28.1	8.0%	7.6%	716	93%	5.43	34
Non-core	19.0	3.0	1.5	15.9%	7.9%	105	51%	2.92	82
Other	—	—	(1.5)	—	—	—	—	—	—
Total	**823.3**	**71.0**	**61.4**	**8.6%**	**7.5%**	**563**	**81%**	**5.27**	**272**

Since the capex investment programme is predominantly focused on the vacant space of the value-add portfolio, and in transforming these assets from high-vacancy and capital-intensive properties to low-vacancy and fully renovated assets, we are hopeful that there are more net income and valuation increases to come on the back of these investments which may also protect against any development of adverse market conditions.

The valuation increases seen this year have contributed towards the increase in adjusted NAV^ per share to 58.82c, an increase of 10.3% from 53.35c as at 31 March 2016. As mentioned above, total shareholder return, comprising adjusted NAV growth plus dividends paid in the period, was 15.3% (31 March 2016: 16.0%). The movement in adjusted NAV is explained in the following table:

^ Excludes the provisions for deferred tax and derivative financial instruments.



The EPRA net asset value ("EPRA NAV") per share, which excludes Directors' impairments and the provisions for deferred tax and derivative financial instruments, and includes the potential share award relating to the Company's LTIP programme, was 57.84c (31 March 2016: 52.72c).

Financing

The Company continues to access debt on very low interest rate terms and it was decided to refinance two bank facilities before the end of their term in order to extract more debt to acquire assets, as well as significantly reduce the cost of borrowings on these facilities and lock in the low rates for a longer term. The details of these two facilities are as follows:

» In April 2016, the Group concluded a new seven year €137.0 million facility with Berlin Hyp AG and Deutsche Pfandbriefbank AG to refinance an existing loan with the same syndicate which had an outstanding balance of €110.4 million and an average interest rate of 3.61%. The new facility is split in two tranches with Tranche 1, totalling €94.5 million, charged at a fixed interest rate of 1.66% for the full term of the loan and tranche 2, totalling €42.5 million, charged with a floating rate of 1.57% over three month EURIBOR (not less than 0%) for the first year of the loan and a requirement to fix the interest rate on this tranche thereafter is subject to ongoing negotiation as a result of the sale of the asset that this tranche was secured against. The cost to break the original facility was €2.1 million and the extra €26.6 million of debt from the new facility was used to purchase the Markgröningen and Krefeld assets which now form part of the security pool.

» In October 2016, the Group concluded a new seven year €70.0 million facility with Berlin Hyp AG, with an all-in fixed interest rate of 1.48% for the full term of the loan, to replace an existing €39.2 million facility which was incurring an all-in fixed interest rate of 2.68%. The cost to break the original facility was €0.4 million and the extra €30.8 million of debt was used to part-fund the Dresden and Wiesbaden acquisitions which have both been injected into the security pool of the new facility.

These new facilities have helped further reduce the Group's total cost of borrowings, which now stands at 1.99% (31 March 2016: 3.0%), as well as increase the weighted average debt expiry to 5.8 years (31 March 2016: 4.7 years).

Total debt at 31 March 2017 was €348.6 million (31 March 2016: €299.0 million) and the Group's gross loan to value ("gross LTV") ratio reduced to 42.3% (31 March 2016: 42.8%) whilst its net LTV* ("net LTV") reduced to 38.0% (31 March 2016: 41.5%). The Group remains committed to achieving a target gross LTV of 40% by no later than 31 March 2018 and believes it is on course to achieve this.

In June 2016, the Company successfully completed a €30.0 million equity raise followed, in March 2017, by a €15.0 million private placing. Proceeds from the June 2016 equity raise were used to part-fund the Dresden and Wiesbaden acquisitions as well as the three unencumbered acquisitions in Dreieich, Frankfurt and Krefeld. The proceeds from the March 2017 private placing, together with the proceeds from the disposals of Merseburg, Munich Rupert Mayer Strasse, Düsseldorf and Kiel, will provide the Company with the potential to acquire around €138 million of assets over the next financial year. Up to the date of this report,

Financial review continued

Financing continued

the Company had completed the acquisition of the Cologne asset for €22.9 million and notarised acquisitions totalling €49.9 million. This leaves a further €65.0 million of acquisitions to source for which the Company is progressing.

Also in June 2016, the Karoo Investment Fund S.C.A. SICAV-SIF converted its €5,000,000 5% convertible loan note, due 2018 in full, into, in aggregate, 22,814,731 new ordinary shares at the conversion price of €0.2191566 per ordinary share, as adjusted in accordance with the terms and conditions of the loan note. This had the impact of reducing the adjusted NAV per share by 0.83c and the annualised adjusted EPS by 0.09c.

* Net LTV is the ratio of principal value of gross debt less cash, excluding that which is restricted, to the aggregate value of investment property.

Dividend

The Company's dividend policy continues to pay shareholders 65% of FFO, with the dividend paid semi-annually. As in previous periods, the Company is offering shareholders the ability to receive dividends in scrip rather than cash.

In accordance with this policy, the Board has declared a final dividend of 1.53c per share representing a 17.7% increase on the same period the previous year. The total dividend for the year is 2.92c per share (2016: 2.22c per share). The ex-dividend date will be 12 July 2017 for shareholders on the South African register and 13 July 2017 for shareholders on the UK register. The record date will be 14 July 2017 and the dividend will be paid on 18 August 2017. A detailed dividend announcement including the dates of the dividend will be made in due course.

Outlook

Sirius has completed another strong financial year with profits again reaching levels not seen before and valuations continuing to rise. Most of this progress is derived from the intensive asset management the Company deploys, which focuses on transforming its properties predominantly through its capex investment, lettings and service charge recovery programmes. The focus remains on delivering risk-adjusted returns by growing recurring income and capital values through these asset management activities. The success of this is highlighted by the further increases in like-for-like rents and improvements in service charge recovery seen in the period.

It was pleasing to see a successful start to the asset recycling programme with a number of disposals at well above book value being achieved. The ability to crystallise this value completes the Group's asset management cycle and will allow it to replace mature and non-core assets with assets with much greater opportunity that will fuel further increases to shareholder returns in the future.

All in all it has been a successful year and the foundations for this success to continue have been set. We look forward to the year ahead with optimism.

Alistair Marks
Chief Financial Officer
23 June 2017

Managing our risks

Sirius has policies and procedures in place for the timely identification, assessment and prioritisation of the Group's material risks and uncertainties. This section describes how these risks are identified, managed and mitigated appropriately in order to deliver the Group's strategic objectives.

Risk management framework

The Group has an established risk management approach to identify, monitor and mitigate risks. The Sirius Board has overall responsibility for risk management and is of the view that understanding and mitigating key risks is crucial to achieving the Group's strategic objectives and long-term success. As such, a risk-based approach is taken on all major decision making and strategic initiatives.

Risk management is an integral part of the Group's business and risks are considered at every level of decision making and across all business activities. A risk management framework is in place to ensure that risks are identified and mitigated in order to significantly increase the chances of being able to achieve the Group's objectives and create as well as preserve shareholder value. A detailed and extensive risk register is maintained that documents risks and related mitigating controls and has been created on the following basis.

Firstly, the Board categorises risk into five primary areas:

1. Corporate strategy – the risk the Group does not meet its objectives and becomes unattractive to shareholders and investors.
2. Investment activity – the risk of being prevented from executing investments or that returns are not in line with expectations.
3. Compliance – the risk of non-compliance with laws, regulations and accepted practices.
4. Customers and service providers – the risk associated with customers and suppliers not being able to meet their contractual obligations.
5. Financial – the risk associated with the valuation, management and control of the Group's assets and liabilities.

Following categorisation, risks are evaluated and catalogued according to their likelihood of occurring and potential impact on the business.

Finally, the risk register documents the controls in place that exist to mitigate the particular risk and sets out the frequency with which the risks are reviewed and by whom.

The Audit Committee takes responsibility for the review of the risk management methodology and the effectiveness of internal controls and the Board reviews the risk register on a bi-annual basis.

This process includes the following:

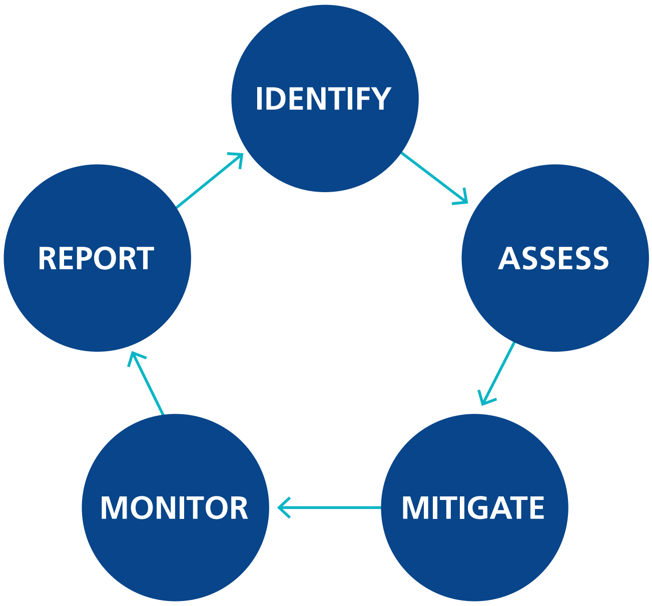
» reviewing regular risk reporting prepared by the Senior Management Team;

» assessing the effectiveness of control design and implementation; and

» overseeing and advising the Board on current risk exposures and future risk strategy.

Principal risks and uncertainties continued

Risk management process diagram



Risk management framework diagram

Board of Directors
- Overall responsibility for risk management.
- Overall responsibility for the Group's system of internal control and review of its effectiveness.

Audit Committee
- Delegated responsibility from the Board to oversee risk management and internal controls.
- Reviews the effectiveness of the Group's internal control and risk management processes.
- Monitors the independence and expertise of the external auditors.

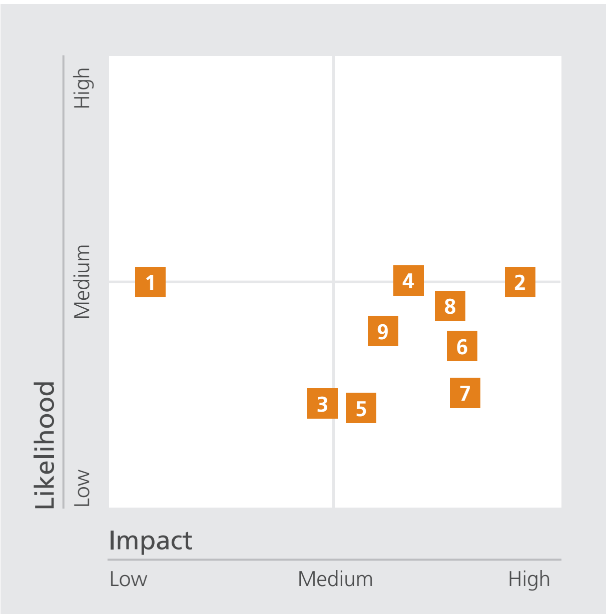
Audit Committee, Compliance and Executive Directors
- Perform key business activity reviews, identify control deficiencies and redesign processes.
- Monitor the role and effectiveness of internal compliance.
- Communicate risk management information and key initiatives across the Group.

Senior Management Team
- Defines risk management responsibilities at operational and key initiative level.
- Ensures risk is considered in all business decision making.
- Continuously identifies risks, provides assurance and self-assesses.

Principal risks summary

Risk category	Principal risk(s)
1 Financing	» Availability and pricing of debt » Compliance with facility covenants
2 Valuation	» Property inherently difficult to value » Susceptibility of property market to change in value
3 Market	» Reliance on Germany » Reliance on SME market
4 Acquisitive growth	» Failure to acquire suitable properties with desired returns
5 Organic growth	» Failure to deliver capex investment programme » Failure to achieve targeted returns from investment
6 Customer	» Decline in demand for space » Significant tenant move-outs or insolvencies » Exposure to tenants' inability to meet rental and other lease commitments
7 Regulatory and tax	» Non-compliance with tax or regulatory obligations
8 People	» Inability to recruit and retain people with the appropriate skillset to deliver the Group strategy
9 Systems and data	» System failures and loss of data » Security breaches » Data protection

Current assessment of principal business risks post mitigation



Risk change key:
The risk change key applies to pages 34 to 38.

Increased risk ↑

No change →

Decreased risk ↓

Principal risks and uncertainties continued

1 FINANCING

Principal risks

- Reduced availability and increased cost of bank financing.
- A breach of banking facility covenants.

Potential impact

- Increase in cost of borrowing and reduction in Group profits.
- Inability to refinance when facilities expire.
- Requirement to dispose of assets at discounted values.
- Limited ability to acquire new assets when yields are higher.
- Acceleration of the Group's obligations to repay borrowings.
- Lender enforces security over the Group's assets and restricts cash flow to the Group (e.g. cash traps).

Mitigation

- The Group has established a number of strong banking relationships with lenders who understand and value the Sirius model.
- The Sirius track record and methodology, especially its performance during the last downturn, is also valued highly by the lending market.
- Bank facilities are only entered into where attractive rates and long facility terms can be secured.
- It is Group policy to mitigate interest rate risk by fixing or capping interest rates on facilities.
- Loan facilities incorporate covenant headroom, cure provisions and sufficient flexibility to facilitate asset management initiatives including asset substitution.
- Bank reporting is prepared and reviewed regularly.

Developments in the year

- Successfully refinanced two existing facilities with new debt of €207.0 million at a blended fixed rate of 1.58% for seven years.
- 88% of the total borrowings of €348.6 million have been fixed with a fixed interest rate or swap. The remaining 12% is subject to an obligation to fix one year after drawdown.
- The weighted average cost of debt has continued to decrease, standing at 1.99% at 31 March 2017 compared to 3.0% at 31 March 2016.
- Weighted average debt expiry of 5.8 years up from 4.7 years at 31 March 2016.

2 VALUATION

Principal risks

- Inherent difficulty in valuing property assets and valuations subject to uncertainty.
- Asset values decline as a result of macroeconomic and other external factors.
- Property assets are inherently difficult to value as there is no liquid market or standard pricing mechanism. As a result, valuations are subject to substantial uncertainty.

Potential impact

- Reported NAVs may not accurately reflect the value of the portfolio.
- Reduced liquidity and impact on returns.
- Detrimental to NAV growth.
- Potential non-compliance with loan facility covenants.

Mitigation

- Valuations are conducted half-yearly by an expert, independent, reputable major corporation in the property sector.
- The German property market and transactions are continually monitored by the Group and independent research has been developed to analyse transactions within the Group's asset class in Germany.
- The Group operates a value-add business model which involves significant investment into its assets with the intention of enhancing income and property value even in buildings with vacant or sub-optimal space.
- All acquisition, investment and disposal decisions are made strategically incorporating market analysis and conditions.
- The Group is currently targeting a gross LTV ratio of no more than 40% at Group level, which it expects to achieve by 31 March 2018.
- The Group holds seven assets on an unencumbered basis which are more liquid to sell or could be injected into bank security pools if necessary.

Developments in the year

- Like-for-like valuations have increased by €58.3 million or 8.5% for the year on the back of the Group's investment and asset management initiatives.
- Valuations of sites acquired in the year increased by €8.5 million or 11%, demonstrating the ability to buy at discounts to market price.
- Average gross yields of the portfolio of 8.6% remains high compared to transactions that have been seen by Sirius in the market for similar assets.
- Group gross LTV ratio of 42.3%.
- During the year two properties totalling €7.5 million were acquired without financing, which may provide flexibility in the event of any market downturns.

3 MARKET

Principal risks

- Dependability on German market and economy.
- Concentration of value in key locations.
- Reliance on SME market.
- The Group is subject to location risk in its property portfolio, which consists only of assets in the commercial real estate sector of Germany.
- Whilst the level of demand for the Group's offerings is currently robust, factors such as the economy, competition and sentiment may change in the future.

Potential impact

- The Group's performance may be significantly impacted by events such as a general downturn in the German economy.
- Reduced demand in key locations.
- Reduced demand if the German SME market was to contract.

Mitigation

- The Group offers a broad range of products to a broad range of tenants, from major blue-chip corporations to individuals. Many of its flexible products proved to be more desirable during the last downturn.
- The Group's pricing policy is to be below the upper quartile of the market so that during downturns it becomes the supplier of choice because of its economical pricing.
- 48% of the Group's rental income comes from its top 50 tenants, which are generally highly invested and embedded on the sites that they occupy. In the last market downturn there was relatively low movement within this group.
- Most of the Group's assets are concentrated around the key economic areas of Germany which are underpinned by strong supply and demand fundamentals.

Developments in the year

- The German economy continues to be the largest in Europe with the OECD forecasting continued GDP growth into 2017. Monetary policy is accommodating business and consumer spending which provide stimulus for the real estate sector.
- The SME market, which the Group considers to be its core tenant base has remained strong during the period under review.
- The Group continues to concentrate its investment activity in markets where prior experience, in-depth knowledge of local demand drivers and operational synergies can be utilised.

4 ACQUISITIVE GROWTH

Principal risks

- Inability to source and complete on assets that meet the Group's return expectations.

Potential impact

- The Group's ability to execute earnings-accretive and/or value-add acquisitions may be significantly impacted due to the inability to source and complete on assets that meet the Group's return expectations.

Mitigation

- The Group's operating platform includes an acquisition team which is focused specifically on sourcing potential acquisition opportunities, analysing their suitability for purchase and presenting those assets to the Investment Committee for further review and consideration.
- The Group's acquisition team has several years of experience within the markets in which the Group operates and over this time has grown its market understanding and connectivity significantly.
- The Group ordinarily sources potential acquisition opportunities by independent enquiry; however, where opportunities are unable to be accessed privately the use of third party brokers is considered.

Developments in the year

- During the year under review the Group has reviewed a record number of on and off-market potential acquisition opportunities.
- A total of six assets were acquired in the reporting period totalling €75.9 million, two assets were completed post period end totalling €27.4 million and a further four assets totalling €49.9 million were notarised for completion post period end.

Principal risks and uncertainties continued

5 ORGANIC GROWTH

Principal risks

- Failure to invest into vacant space.
- Failure to realise the targeted returns on investment from the capex investment programme.

Potential impact

- Income and valuation improvements do not meet expectations.
- The Group's detailed site business plans and expected returns are not met.
- Assets are more difficult to sell and are valued accordingly.

Mitigation

- Extensive analysis is performed to assess demand and costs before an investment decision is made to ensure each project meets local demands and returns are realistic.
- Sirius has ten years of experience and data on developing its vacancy and the take-up of its and its competitors' products in the markets that it operates, so assessments and projections are based on detailed information and knowledge.
- The Group is continuing to invest in its internal operating platform, which ensures the delivery of all aspects of projects including development, marketing, lettings, renewals, service charge recovery and collections.
- Fortnightly conference calls are held with all relevant people discussing progress and expectations on all projects within the capex investment programme.

Developments in the year

- In the year under review a total of €14.2 million was invested into the original capex investment programme whereby the development of a further 158,691sqm of sub-optimal vacant space was completed and an additional €8.7 million of annualised rental income was contracted on the completed space at 31 March 2017 representing a return on investment of 61% and excluding potential benefits to cost recovery and valuation.
- For more details on our organic growth programme see the case studies on pages 15 to 17.

6 CUSTOMER

Principal risks

- Reduced tenant demand for the Group's offerings and lower take-up of vacant space.
- Substantial amount of existing tenants or tenants becoming insolvent.
- Tenants failing to meet their lease obligations.

Potential impact

- Inability to fill up vacant space and not meet profit growth targets/expectations.
- Occupancy and profit issues when a number of major anchor tenants vacate in a short time period.
- Tenant defaults result in loss of income and an increase in void costs and bad debt.
- Downward pressure on earnings and NAV.

Mitigation

- The Group has a large and active internal marketing and lettings team working within the German market and is not reliant on third parties to sign new and renew existing tenants. The Group's online presence is such that more than 90% of the average of 1,100 enquiries received each month come from the internet and the dedicated call centre and on-site teams convert on average 12% of all leads into new lettings.
- On-site management is focused on tenant needs and ensuring that their experience on a Sirius business park is as good as possible, which significantly mitigates the risk of tenants leaving.
- Continual engagement with tenants also provides an early indication of tenants that will leave so that work on replacement can start much earlier.
- The close relationships that have been developed with tenants help to understand their businesses and meet their changing space requirements.
- Due to the industrial nature of most of the Group's major tenants, they are generally highly invested on site and have been there for many years. The move-out rate of these tenants is low.
- All prospective tenants go through a robust credit check to provide comfort over their suitability and financial state.
- All lease agreements require tenants to provide deposits and/or bank guarantees.
- Service charge costs are subject to prepayments which are adjusted each year to reflect future expectations of actual costs.

Developments in the year

- Of the €1.7 million of rental income that was up for renewal in the period, 73% was renewed.
- The Group generated 13,230 letting enquiries, of which 12% were converted into new deals, which let up 151,320sqm of space with contracted annualised rental income of €10.1 million.
- Like-for-like occupancy in the period increased from 80% to 82%.
- As at 31 March 2017, 48% of rental income was contracted to the top 50 tenants.
- As at 31 March 2017, €7.0 million was held in escrow accounts for tenant deposits.

7 REGULATORY AND TAX

Principal risks

- Change of tax laws or practices as a result of base erosion and profit shifting initiatives ("BEPS").
- Change of tax rules relating to controlled foreign companies.
- Forfeiture of tax losses due to change of ownership.
- Change of tax rates or accounting practices applicable to the Company.
- The non-compliance with laws, regulations and accepted practices.

Potential impact

- Significantly extra tax payable in Germany, the UK and the Netherlands.
- Adverse effect on capital values of the Group's property portfolio.
- Financial penalties and reputational damage.
- Forfeiture of tax losses resulting in significant impact on the tax charge.

Mitigation

- Conditions for the tax treatment of all Group entities are continually monitored. Close collaboration with advisers and relevant tax jurisdiction authorities ensures we are aware of emerging issues and keep up to date with ongoing developments.
- The Board receives reporting from Intertrust Fund Services (Guernsey) Limited's Compliance Officer on a quarterly basis.
- Other regulatory matters are considered by the Board and addressed within the Company risk register, which gets updated at least annually.

Developments in the year

- No changes to accounting standards, tax law or accepted practice have been identified as material to the Group's performance and results in the period.
- The Group has €262.5 million of tax losses that are available for offset against future profits of its subsidiaries.
- The Company continues to be provided with external specialist tax advice on all matters relating to structuring, investment activity and financing.

8 PEOPLE

Principal risks

- Inability to recruit and retain suitable staff to implement the business strategy.
- Too much reliance on key personnel.
- As the Company is internally managed it is reliant on the performance and retention of key personnel. The departure of any of these individuals without adequate replacement may have a material adverse effect on the Company's business prospects and results of operations.

Potential impact

- Reduced ability to implement the business strategy.
- Insufficient resources in place to support the Company's growth ambitions.
- Loss of knowledge and expertise from exiting key personnel.

Mitigation

- The Company maintains an organisation structure with clear responsibilities and reporting lines. Formal appraisals are performed annually for performance, goal setting and development purposes.
- The remuneration structure for staff is designed to be competitive and assist in attracting and retaining high calibre staff that are required to deliver the strategic objectives of the Company.
- Incentives align individual and departmental targets to Company strategy and ensure that Executive Directors, the Senior Management Team and staff operate in the best interests of shareholders and are incentivised to remain in office.
- The Executive Directors and the Senior Management Team have significant shareholdings in the Company.

Developments in the year

- During the year Neil Sachdev was appointed Non-executive Chairman replacing Robert Sinclair, who remains as a Non-executive Director. Justin Atkinson was appointed as a further Non-executive Director.
- For details relating to the remuneration of Directors, including the shareholdings of the Executive Directors and the Senior Management Team, please go to the Directors' remuneration report on pages 51 to 60.

Principal risks and uncertainties continued

9 SYSTEMS AND DATA

Principal risks

- System interruption or breakdown.
- Data protection breach.
- Financial loss due to security breach or fraudulent activity.

Potential impact

- Impeded access to core systems for internal and external customers.
- Loss of business critical data.
- Penalties and private litigation.
- Reputational damage.

Mitigation

- The Group has a detailed IT strategy, which is under continual review and is focused on a balance between efficiency and control.
- An IT audit, designed to identify control weaknesses, is performed on an annual basis as part of the Group annual audit process.
- A comprehensive Disaster Recovery Plan is in place to ensure minimal information and time is lost should an entire site go down.
- Of the three main systems used by the Company, two are hosted by third party experts and one is hosted internally. All three systems have service level agreements in place for ongoing maintenance, upgrades, back-up and improvements.
- Payment transactions are automated and subject to an internal authority matrix, which is reviewed annually, to ensure appropriate controls, including segregation of duty, are enforced at all times.

Developments in the year

- Upgrades carried out to improve on-site internet bandwidth and reliability.
- Storage server and domain upgrades completed to incorporate latest available security settings and improve performance.
- Customer relationship and business intelligence systems upgraded to deliver increased functionality and automation.

Viability statement

In accordance with provision C.2.2 of the 2014 revision of the UK Corporate Governance Code (the "Code") and the South African King III Code of Corporate Governance Principles, the Directors have assessed the prospects of the Group over a period longer than the twelve months required by the "Going Concern" provision. The Board has conducted this review taking into account the Group's long-term strategy, principal risks, current position and future plans over a three year period.

A period of three years was chosen on the basis of:

- three years being the period for which detailed asset level business plans are prepared;
- three years being the period considered optimal to balance planning requirements and the ability to make accurate estimations; and
- three years being indicative of the Group's short-term redevelopment and asset management initiative cycle.

Particular attention is given to existing and planned financial commitments, financing arrangements including compliance, and broader macroeconomic considerations.

The Group's three year plan is underpinned by a detailed financial model that consolidates the business plans of the Group's property assets. The key assumptions underpinning the plan are:

- growth in rental income, principally from acquisitions and supported by delivery of the organic growth programme;
- a gradual decrease in irrecoverable service charges as a result of an increase in occupancy rates; and
- the broadly fixed nature of overheads which consist primarily of central management costs.

The financial model is stress tested to validate its resistance to changes relating to property valuations and associated yields, rental income rates, occupancy levels, overheads, committed capital expenditures, working capital requirements, and the ability to finance forecasted transactions and refinance maturing debt. The financial covenants to which the Group is subject are included in the financial model to ensure the conditions which would result in a breach of covenant can be anticipated.

Based on the results of their review, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period of their assessment.

Governance

Responsible for good governance

Board of Directors
Introduction to the Board

The Company has an experienced Board of two Executive Directors and five Non-executive Directors, chaired by Neil Sachdev.

1. NEIL SACHDEV
Non-executive Chairman
(58)

A D I R N

Neil Sachdev joined Sirius in July 2016. Prior to this, Neil held the post of group property director of J Sainsbury plc and before that served for 29 years with Tesco, where he was stores board director, responsible for property and operations for the entire UK business. Neil has recently stepped down as chairman of Market Tech Holdings Limited and has also stepped down from the board of Intu Properties plc (formerly Capital Shopping Centres) where he had served as a non-executive director for ten years. He holds the position of chairman of the Business School at Warwick University as well as a number of public sector positions and was recently awarded an MBE for his contribution to energy efficiency and sustainability in the retail sector.

2. ANDREW COOMBS
Chief Executive Officer
(52)

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

3. ALISTAIR MARKS
Chief Financial Officer
(48)

Alistair Marks joined the then external asset manager of Sirius in 2007 from MWB Business Exchange Plc just before the IPO on AIM and has remained with the Group following the management internalisation in January 2012. Prior to MWB Business Exchange, Alistair held financial roles with BBA Group Plc and Pfizer Ltd and qualified as a Chartered Accountant with BDO in Australia. Alistair is responsible for the Company's banking relationships including restructuring, sourcing and negotiating all terms within the Group's debt facilities. He is also responsible for the Group's operations as well as overseeing the major capex programme and substantial improvement in service charge recovery over the last years. Alistair is responsible for financial management and control across the Group.

4. JUSTIN ATKINSON
Independent Non-executive Director
(56)

A I

Justin Atkinson was the chief executive of Keller Group plc from April 2004 to May 2015. Previously, Justin had been Keller's group finance director and its chief operating officer. Justin trained and qualified as an accountant with Deloitte Haskins & Sells, now part of PwC, and spent the early part of his career with Thomson Reuters, before joining Keller Group in 1990. Justin is senior independent director of Kier Group plc and senior independent director and chair of the audit committee of Forterra plc.

5. WESSEL HAMMAN
Non-executive Director
(44)

A I R N

Wessel Hamman is the chief executive of Clearance Capital Limited, a European Real Estate investment management firm he co-founded in 2008. Wessel qualified as a Chartered Accountant at KPMG in South Africa in 1997 and spent eleven years in the investment banking industry. Wessel serves as a non-executive director of various listed European real estate companies and funds including Capital & Regional plc and European Real Estate Investment Trust Limited.

6. JAMES PEGGIE
Senior Independent Director
(46)

A D R N

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

7. ROBERT SINCLAIR
Independent Non-executive Director
(67)

A R N

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, EF Realisation Company Limited, Rainbow Rare Earth Limited and Chariot Oil & Gas Limited. Robert is a Fellow of the Institute of Chartered Accountants in England and Wales.

A Audit Committee
I Investment Committee
D Disclosure Committee
R Remuneration Committee
N Nomination Committee
Chairman of Committee

Corporate governance

The Board has resolved that the disclosures to be made in the Annual Report regarding the operation of the Board and its sub-committees should comply with the requirements of the Companies (Guernsey) Law, 2008, the UK Corporate Governance Code, the South African King III Code of Corporate Governance Principles and best practice generally.

Statement of Compliance

The Board is committed to the highest standards of corporate governance and has adopted processes and policies to seek to ensure a sound framework for the control and management of the business. Following UK Admission, the Board complies with the requirements of the UK Corporate Governance Code published in September 2014 by the Financial Reporting Council ("UK Corporate Governance Code") as it relates to "smaller companies" (companies which are outside the FTSE350 throughout the year immediately prior to the reporting year) with the exception of the requirement for an internal audit function as explained in more detail below. The Company is not subject to the Code of Corporate Governance in Guernsey. The Company will report to its Shareholders on its compliance with the UK Corporate Governance Code in accordance with the Listing Rules.

The Board has established an Audit Committee, a Nomination Committee and a Remuneration Committee. In light of UK Admission, the Board intends to continue to review the terms of reference for each committee. If the need should arise, the Board may set up additional committees.

The Company has adopted policies and procedures to comply with the Market Abuse Regulation, including the establishment of a Disclosure Committee and a code of securities dealings in relation to the Ordinary Shares. The Company intends the code to apply to the Directors and other relevant employees of the Company.

Directors

The Company is led and controlled by a Board of Directors, which is collectively responsible for the long-term success of the Company. The Board believes it has an appropriate balance of skills and experience.

The Chairman of the Board is independent and is appointed in accordance with the Company's Articles of Incorporation.

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

The Company has adopted a share dealing code for the Board and will seek to ensure compliance by the Board, the Executive and Senior Managers and other third party service providers with the terms of the share dealing code.

The Board met on a regular basis throughout the year and as needed to deal with special business. The Board has appointed an Audit Committee, a Nomination Committee, a Remuneration Committee, a Disclosure Committee and an Investment Committee which consider issues relevant to their specific terms of reference. The offices of the Chairman and the Chief Executive Officer are held separately.

Board meetings follow a formal agenda of matters reserved for decision and approval by the Board and also address any special business. Matters reserved for the Board include the review of strategy and organisational change, the review and monitoring of internal controls and risk management processes, the approval of significant investments and disposals, the approval of budgets and the regular review of current trading and the financial position of the Group. The Board receives regular reports on current trading and the financial position and forecasts of the Group prior to its meetings. In addition, the Board receives relevant information on business, corporate and strategic issues.

The Company maintains a register of Directors' conflicts of interest. In addition, at the start of each Board meeting, as a routine item, Directors are asked to declare any interests that might conflict with the agenda items under discussion. Directors are required to notify the Company, via the Company Secretary, at any time, of any potential or future conflicts of interest that may arise. Any such notifications are reviewed at the next Board meeting or sooner if deemed necessary and, if considered appropriate, authorised. Directors do not participate in the discussion or vote regarding their own conflicts of interest. If authorised, any conflicts are entered in the register of Directors' conflicts.

All Directors may take independent professional advice at the Group's expense in the furtherance of their duties and have full access to the Company Secretary. The Company maintains directors' and officers' liability insurance in respect of legal action against its Directors on an ongoing basis.

Upon appointment, Non-executive Directors undertake an induction process to familiarise themselves with the Group's activities, policies and key issues. During their appointment they are expected to dedicate adequate time to carry out their role effectively and to challenge management in a constructive way.

The Chairman meets regularly with the other Non-executive Directors to discuss the performance of the Board and the Board sub-committees. The performance of Executive Directors is measured against predetermined objectives that are agreed with each Executive Director at the start of the financial year.

The Chairman has no executive responsibilities but leads and sets the agenda for the Board. The Chairman also acts as an interface between the Executive Directors and Non-executive Directors.

The Senior Independent Director provide a sounding board for the Chairman and to serve as an intermediary for the other Directors when necessary. The Senior Independent Director should be available to shareholders if they have concerns which contact through the normal channels of the Chairman or the Chief Executive Officer has failed to resolve or for which such contact is inappropriate. James Peggie was appointed, on UK admission, as the Senior Independent Director.

Board tenure and re-election

A Director who retires at an Annual General Meeting may, if willing to continue to act, be elected or re-elected at that meeting. If, at a general meeting at which a Director retires, the Company neither re-elects that Director nor appoints another person to the Board in the place of that Director, the retiring Director shall, if willing to act, be deemed to have been re-elected unless at the general meeting it is resolved not to fill the vacancy or unless a resolution for the re-election of the Director is put to the meeting and not passed. Directors are appointed under letters of appointment, copies of which are available at the registered office of the Company. The Board considers its diversity, experience, composition and succession planning on an ongoing basis.

Directors' remuneration

The level of remuneration of the Non-executive Directors reflects the time commitment and responsibilities of their roles. The remuneration of the Non-executive Directors does not include any share options or other performance related elements and there are no plans to seek any shareholder waivers to deviate from this.

Based on the exchange rate at the date of Admission and rounded to the nearest thousand the Chairman is entitled to annual remuneration of €139,000 and the other non-executive Directors are entitled to a basic annual remuneration of €46,000. In addition the Chairman of the Audit Committee is entitled to annual remuneration of €9,000, the Chairman of the Remuneration Committee is entitled to annual remuneration of €9,000 and the Senior Independent Director is entitled to annual remuneration of €6,000.

Board performance and evaluation

The Board formally reviews its performance annually through an internal process. Internal evaluation of the Board, the Audit Committee, the Nomination Committee, the Remuneration Committee and individual Directors has taken the form of performance evaluation questionnaires and discussions to determine effectiveness and performance in various areas as well as the Directors' continued independence.

The Board believes that annual evaluations are helpful and provide a valuable opportunity for continuous improvement.

Internal control and financial reporting

The Directors acknowledge that they are responsible for establishing and maintaining the Company's system of internal control and reviewing its effectiveness. Internal control systems are designed to manage rather than eliminate the failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatements or loss.

The Directors carry out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The key procedures which have been established to provide internal control are that:

» the Board has delegated the day-to-day operations of the Company to the Executive and the Senior Management Team and to Intertrust Fund Services (Guernsey) Limited as its provider of company secretarial and administrative services; however, it retains accountability for all functions it delegates;

Corporate governance continued

Internal control and financial reporting continued

- the Board clearly defines the duties and responsibilities of the Company's agents and advisers and appointments are made by the Board after due and careful consideration. The Board monitors the ongoing performance of such agents and advisers and will continue to do so;
- the Board monitors the actions of the Executive and the Senior Management Team at regular Board meetings and is given frequent updates on developments arising from the operations and strategic direction;
- Intertrust Fund Services (Guernsey) Limited provide administration and company secretarial services to the Company; and
- the Board has reviewed the need for an internal audit function and has decided that the systems and procedures employed by Intertrust Fund Services (Guernsey) Limited, the Executive and Senior Management Team, including their own internal controls and procedures, provide sufficient assurance that an appropriate level of risk management and internal control, which safeguards shareholders' investment and the Company's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary at this time; however, this will continue to be reviewed.

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes.

The systems of control referred to above are designed to ensure effectiveness and efficient operation, internal control and compliance with laws and regulations. In establishing the systems of internal control, regard is paid to the materiality of relevant risks, the likelihood of costs being incurred and costs of control.

It follows therefore that the systems of internal control can only provide reasonable but not absolute assurance against the risk of material misstatement or loss.

The Audit Committee has considered arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, which are incorporated in its Terms of Reference. It has concluded that adequate arrangements are in place for the proportionate and independent investigation of such matters and, where necessary, for appropriate follow-up action to be taken within their organisation. The Audit Committee may also seek professional advice on any such matters and secure the attendance at its Meetings of third parties with relevant experience and expertise if it considers this necessary.

Board and Committee attendance

This is detailed separately for the Board, the Audit, Nomination and Remuneration Committees on page 66. The Disclosure Committee met once during the period. The Investment Committee was formed in 2017 and has not yet had its first formal meeting.

Board sub-committees

Sub-committees of the Board have been constituted to consider and make recommendations to the Board regarding matters relating to external audit, internal control and risk management processes, the selection of appropriate accounting policies, the presentation of the half year and full year accounts, investment performance, acquisitions and disposals and the appointment of Directors and Directors' remuneration.

Membership is determined by the Board and the duties of the Board sub-committees are set out in the following sections of this report.

All the sub-committees of the Board operate within clearly defined terms of reference which are reviewed and updated to reflect best practice and the UK Corporate Governance Code and the South African King III Code of Corporate Governance Principles as far as is commercially practicable. The terms of reference of the Board and the sub-committees are available on request from the Company Secretary and are published on the Company's website at www.sirius-real-estate.com.

Audit Committee

The Audit Committee is chaired by Robert Sinclair, a Non-executive Director, who has up to date relevant financial experience. The other members are Neil Sachdev, James Peggie, Justin Atkinson and Wessel Hamman.

During the year, the Committee met three times. Its terms of reference were widened following a Board meeting in February 2017 following the move to a dual main market listing on 6 March 2017 and were updated to comply with the principles contained in the South African King III Code of Corporate Governance Principles and the September 2014 edition of the UK Corporate Governance Code issued by the Financial Reporting Council.

It now considers in more detail risk management processes in addition to reviewing internal control procedures, the interim and full year results and external audit plans. Regular reviews of significant risks are undertaken at meetings of the Committee and its observations are reported to the Board. The Group's system of internal control is designed to manage and mitigate rather than eliminate altogether the risk of failure to meet business objectives and can only provide reasonable, but not absolute, assurance against material financial misstatement or loss.

The Group Chief Financial Officer is normally invited to attend meetings, along with other members of management as appropriate.

The Committee considers and approves the external audit approach with the external auditors. The Committee reviews the independence of the external auditors and the procedures in place to ensure that their independence is not compromised.

Audit Committee meetings are minuted and copies of the minutes are provided to the Directors and the external auditors.

The Committee reports to the Board, through the Chairman of the Committee.

Nomination Committee

The Committee met three times during the year. Neil Sachdev is the Chairman of the Committee. The other members of the Committee are James Peggie, the former Chairman of the Committee, Wessel Hamman and Robert Sinclair.

The purpose of the Nomination Committee is to consider and make recommendations to the Board concerning all new Board appointments and the retirement of Directors and to make recommendations to the Board relating to the policy for the ongoing education and development of Directors. The Committee uses external search consultants or open advertising for recruitment purposes as deemed most appropriate. When nominating candidates for Non-executive Directorships, the Committee takes account of the need for diversity and independence.

The Committee keeps under review and evaluates the composition of the Board and its Committees to maintain the most appropriate balance of diversity, skills, knowledge, experience and independence and to ensure their continued effectiveness.

Its terms of reference were widened following a Board meeting in February 2017 following the move to a dual main market listing on 6 March 2017 and were updated to comply with the principles contained in the South African King III Code of Corporate Governance Principles and the September 2014 edition of the UK Corporate Governance Code issued by the Financial Reporting Council.

Remuneration Committee

The Remuneration Committee has two scheduled meetings each year and meets additionally as circumstances require.

The Committee met six times during the year. James Peggie is the Chairman of the Committee. The other members are Neil Sachdev, Wessel Hamman and Robert Sinclair.

The Remuneration Committee sets and monitors the overall Remuneration Policy for the Executive Directors and other senior executives. The Committee reviews, but does not limit itself to, the following key areas and makes recommendations to the Board accordingly:

» total remuneration (including base pay, bonus and incentive arrangements);

» method of remuneration;

» service contracts; and

» terms and conditions and any material changes to the standard terms of employment.

The activities, recommendations and approvals of the Committee are reported to the next routinely scheduled Board meeting. Its terms of reference were widened following a Board meeting in February 2017 following the move to a dual main market listing on 6 March 2017 and were updated to comply with the principles contained in the South African King III Code of Corporate Governance Principles and the September 2014 edition of the UK Corporate Governance Code issued by the Financial Reporting Council.

Investment Committee

The Chairman of the Investment Committee is Neil Sachdev. The Committee was formed on 17 February 2017 and comprises five Directors, Neil Sachdev, Wessel Hamman, Justin Atkinson, Alistair Marks and Andrew Coombs. The Committee has not yet held its first meeting but will be responsible for considering and reviewing the recommendations of executive management in relation to acquisitions and disposals, capex, projects, and other matters involving capital commitments between €200,000 and €10.0 million.

Any transactions in excess of this and any material changes to any Board-approved transaction or commitment must be referred to the Board for additional approval.

The activities, recommendations and approvals of the Committee are reported to the Board. The Committee's delegated authorities are reviewed annually by the Board.

The Committee has not undertaken its first formal meeting as it was only recently formed. Its terms of reference were approved following a Board meeting in February 2017.

Disclosure Committee

The Disclosure Committee's role is to oversee the Company's compliance with its obligations (as laid down by the UKLA's Listing Rules, Disclosure and Transparency Rules and the Market Abuse Regulation) in respect of the disclosure and control of inside information directly concerning the Company. However, the delegation of responsibilities to the Disclosure Committee does not exclude the Board from assuming any of the Committee's responsibilities.

Corporate governance continued

Board sub-committees continued

Disclosure Committee continued

The Disclosure Committee met once during the year on 24 March 2017 but the members have regular oversight of all communications issued by the Company in compliance with its obligations as set out above.

Members of the Committee are appointed by the Board and it comprises two Non-executive members. The Committee is chaired by the Senior Independent Director, James Peggie, and the other member is Neil Sachdev.

Its terms of reference were widened following a Board meeting in February 2017 following the move to a dual main market listing on 6 March 2017 and were updated to comply with the principles contained in the South African King III Code of Corporate Governance Principles and the September 2014 edition of the UK Corporate Governance Code issued by the Financial Reporting Council.

Engagement with shareholders

The Board is committed to providing shareholders with timely announcements of significant events or transactions affecting the Company, including its financial performance and any changes to strategy as well as material investment commitments and realisations. As part of this, the Company's brokers provide regular market feedback to the Board and senior management.

In addition, the Chairman and Senior Independent Director are available to shareholders to discuss governance, strategy or any concern they may have.

The Chief Executive Officer and the Chief Financial Officer are responsible for the Company's interaction with existing shareholders, potential new shareholders and analysts. To ensure its financial and operational performance and strategic objectives are properly communicated, the Company operates a dedicated investor relations programme. This includes formal events along with other meetings outside the financial reporting calendar. In April 2017, the Chief Executive Officer, together with other members of the Senior Management Team, hosted the Company's first investor day since its move up to a main market listing; this focused on risk management, value creation and origination of new investments.

Principal risks and uncertainties

Each Director is fully aware of the risks inherent in the Company's business and understands the importance of identifying, evaluating and monitoring these risks. The Board has adopted procedures and controls that enable it to carry out a robust assessment of the risks facing the Company, manage these risks within acceptable limits and meet all of its legal and regulatory obligations.

The Board thoroughly considers the process for identifying, evaluating and managing any significant risks faced by the Company on an ongoing basis and these risks are reported and discussed at Board meetings. It ensures that effective controls are in place to mitigate these risks and that a satisfactory compliance regime exists to ensure all applicable local and international laws and regulations are upheld.

For each material risk, the likelihood and consequence are identified, management controls and frequency of monitoring are confirmed and results are reported and discussed at regular Board meetings. For further details see Principal risks and uncertainties section on pages 31 to 38.

Audit Committee report
Protecting our shareholders' interests

"The Audit Committee assists the Board in discharging its responsibilities with regard to financial reporting and monitors the integrity of the financial statements of the Company."

Dear shareholder

I am pleased to present my first Audit Committee report as Chairman of the Audit Committee which is also the Company's first report since admission to the main markets of both the London and Johannesburg stock exchanges in March 2017. The Audit Committee's role is to protect the interests of shareholders by ensuring a sound control environment within the Group, the integrity of published financial information and an effective audit process.

This report describes the main focus areas of the Audit Committee and how it discharged its responsibilities during the financial year ended 31 March 2017. It sets out how the Audit Committee has assessed internal control, risk management, the Company's financial statements and the effectiveness of the external audit in the year under review.

Audit Committee	James Peggie	Robert Sinclair (Chairman)	Wessel Hamman	Neil Sachdev
18 May 2016	X	A	X	—
23 November 2016	X	X	X	X
22 March 2017	X	X	X	X
Total attended	**3**	**2**	**3**	**2**

X Denotes attendance

A Denotes absence

— Denotes not applicable

Composition of the Audit Committee

During the year ended 31 March 2017 the composition of the Audit Committee changed in order to ensure compliance with the UK Corporate Governance Code and the South African King III Code of Corporate Governance Principles by which the Company is now governed. The Audit Committee now comprises four members, Robert Sinclair, who was appointed Chairman on 23 September 2017, Wessel Hamman, James Peggie and Neil Sachdev, who joined the committee on 23 September 2017. As a result of these appointments the Audit Committee is now in compliance with the UK Corporate Governance Code and the South African King III Code of Corporate Governance Principles, which recommends that an audit committee should comprise of at least three independent non-executive directors. In addition to this the UK Corporate Governance Code and the South African King III Code of Corporate Governance Principles requires at least one member of the Audit Committee to have recent and relevant financial experience. The Board considers that Robert Sinclair and Wessel Hamman, both of whom are qualified Chartered Accountants, possess the necessary experience to satisfy this requirement.

Details of attendance at the Audit Committee meetings during the financial year ended 31 March 2017 are set out on page 66.

Roles and responsibilities

The Audit Committee's main role is to assist the Board in discharging its responsibilities with regard to the financial reporting process, the audit process and the system of internal controls of the Company and compliance with financial laws and regulations by the Company.

The ultimate responsibility for reviewing and approving the Annual Report and Interim Report remains with the Board; however, the Audit Committee helps to ensure the accuracy and integrity of these in particular with regards to any significant judgements contained within them. The Audit Committee reviews and approves the external auditors' annual audit plan to ensure it is consistent with the agreed scope of engagement and

Audit Committee report continued

Roles and responsibilities continued

Audit Committee summary

Committee Chairman

Robert Sinclair

Other members

Neil Sachdev
James Peggie
Wessel Hamman

Meetings held

Three

Role and responsibilities of the Audit Committee

- Review the effectiveness of the Company's financial reporting and internal control policies and procedures for the identification, assessment and reporting of risks.
- Monitor the integrity of the Company's financial statements and all formal announcements relating to its financial performance and ensure they are fair, balanced and understandable.
- Review significant financial reporting issues and judgements.
- Make recommendations relating to the appointment, reappointment and removal of external auditors.
- Monitor the independence and effectiveness of the auditors.
- Review the Company's procedures for preventing and detecting fraud and bribery.

The Audit Committee's terms of reference are available on the Company website, www.sirius-real-estate.com.

Developments in the year

Prior to listing on the main markets of both the London and Johannesburg stock exchanges in March 2017 the primary focus of the Audit Committee was the review of the Company's financial results and supporting policies and procedures. During the listing process the role and responsibilities of the Audit Committee were reviewed with new terms of reference being approved in February 2017 that included changes in Audit Committee composition, authority and scope of work. As a result, Robert Sinclair replaced Wessel Hamman as the chairman of the Audit Committee and Neil Sachdev joined the Audit Committee. The additional areas of focus for the Audit Committee now include compliance relating to fraud and bribery, the provisions of the UK Corporate Governance Code, the provisions of the South African King III Code of Corporate Governance Principles and the additional requirements of the main markets of the stock exchanges upon which the Company's shares are now listed. This includes reviewing and understanding the forecasts used to create the Company's Viability Statement.

it takes responsibility for all aspects of the external auditors' appointment, performance and independence.

This includes monitoring the extent of non-audit related work undertaken by the external auditors. In its review of this, the Audit Committee will give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the South African King III Code of Corporate Governance Principles along with the requirements of the London and South African stock exchange rules. Accordingly the Audit Committee will advise the Board on whether, taken as a whole, the Company's financial statements present a fair, balanced and understandable assessment as well as provide shareholders with the necessary information to assess the Group's performance, business model and strategy.

Similarly it is the Board which is ultimately responsible for the Group's internal control environment but the responsibility for the Group's risk management methodology and effectiveness of internal controls has been delegated to the Audit Committee. The Group's risk management process and system of internal controls are designed to manage rather than totally eliminate risk and are described in more detail in the principal risks and uncertainties section of this Annual Report.

The Audit Committee also reviews the Group's current trading performance and future cash flow forecasts in order to consider the going concern and viability of the Company. It is then the Audit Committee's responsibility to advise the Board on this topic and from this the Group's viability statement is created.

Activities of the Audit Committee

The Audit Committee met on three occasions within the year under review and the content of each meeting is described as follows:

- On 18 May 2016, the Audit Committee met to discuss the full year results for the year ended 31 March 2016. In this meeting, KPMG, the Company's auditors, presented their Audit Committee report relating to their audit of the year ended 31 March 2016 Annual Report (the "Annual Report"). The Audit Committee then reviewed the Annual Report, the adequacy of disclosures and the appropriateness of preparing the Annual Report on a going concern basis. It was concluded that the Company's financial position was such that it continued to be appropriate for accounts to be prepared on a going concern basis. The Audit Committee duly approved the Annual Report for the year ended 31 March 2016 for consideration by the Board.

- » On 23 November 2016, the Audit Committee met to review the half year results of the Company for the period ending 30 September 2016. The Interim Report was reviewed by the Audit Committee and it was concluded that the disclosures were appropriate and having reviewed the Group's trading and future cash flow forecasts, agreed it was appropriate to prepare the accounts on a going concern basis. Consequently the Interim Report was approved for consideration by the Board.
- » On 22 March 2017, the Audit Committee met to consider the auditors' plan for the year ended 31 March 2017 audit. In reviewing the audit plan the Audit Committee discussed and challenged the auditors' assessment of materiality and risk areas that were considered most likely to give rise to material error. The 31 March 2017 Annual Report was also discussed particularly with regards to the extra reports that would be required as it was the Company's first Annual Report as a main market listed company. It was agreed to allow more time to complete the enhanced Annual Report before announcing results to the market. The fees to be paid to KPMG for the year ended 31 March 2017 audit were also discussed and subsequently approved by the Audit Committee.
- » On 8 June 2017, the Audit Committee met to discuss the full year results for the year ended 31 March 2017. In this meeting, KPMG, the Company's auditors, presented their Audit Committee report relating to their audit of the year ended 31 March 2017 Annual Report (the "Annual Report").
- » On 21 June 2017 the Audit Committee met to review the Annual Report for the year ended 31 March 2017, the adequacy of disclosures and the appropriateness of preparing the Annual Report on a going concern basis. It was concluded that the Company's financial position was such that it continued to be appropriate for accounts to be prepared on a going concern basis. The Audit Committee duly approved the Annual Report for the year ended 31 March 2017 for consideration by the Board.

A review of the Committee's terms of reference was also undertaken following the move to a dual main market listing on 6 March 2017 and were updated to comply with the principles contained in the South African King III Code of Corporate Governance Principles and the September 2014 edition of the UK Corporate Governance Code issued by the Financial Reporting Council.

A review of the Committee's terms of reference was also undertaken following the move to a dual main market listing on 6 March 2017 and were updated to comply with the principles contained in the South African King III Code of Corporate Governance Principles and the September 2014 edition of the UK Corporate Governance Code issued by the Financial Reporting Council.

Internal audit

The decision on whether or not to implement an internal audit function is made by the Board and this is based on the recommendation of the Audit Committee which considers annually a number of factors in making its assessment. These include the growth and scale of the Company, the diversity and complexity of the Company's activities, the procedures and systems in place, the number of employees and the risk that issues may arise as well as the cost and benefit of implementing such a function.

During the year under review the Audit Committee recommended to the Board that a formal internal audit function should not be appointed for the following reasons:

- » the Group has in place an internal compliance function which reviews and monitors the appropriateness of operating procedures and ensures and tests compliance with these throughout the Group;
- » the routine nature of the Group's business activities and the experience of employees reduce risks of material mistakes occurring; and
- » the clear approval process based on authority matrices, the high level of accountability from regular detailed management reporting and assurances gained from the external auditors reduce the risk of material misstatement and fraud.

The Audit Committee will continue to review its position on the establishment of an internal audit function on an annual basis.

Whistleblowing

The Audit Committee has considered arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, which are incorporated in its Terms of Reference. It has concluded that adequate arrangements are in place for the proportionate and independent investigation of such matters and, where necessary, for appropriate follow-up action to be taken within their organisation. The Audit Committee also seeks professional advice on any such matters and secures the attendance at its Meetings of third parties with relevant experience and expertise if it considers this necessary.

Viability statement testing

The viability statement is based on the current trading and latest three year forecasts prepared by the Company's Senior Management Team. A model has been created for this which uses a combination of existing contractual agreements and future assumptions of performance of existing assets and expected acquisitions and disposals for which the Group currently has the resources.

Audit Committee report continued

Viability statement testing continued

In order to test the robustness of the forecast, sensitivities have been applied to key income and expense items including rental income, service charge recovery and overhead costs creating three forecasts showing the worst, base and best case scenarios.

The Audit Committee has reviewed and agreed the assumptions used by management in these forecasts and agrees with the conclusion.

Independence and oversight of external audit

KPMG Channel Islands Limited ("KPMG") have been the auditors of the Company since it was listed on AIM in London in April 2007. The Audit Committee's review of the appropriateness of the external auditors included assessing their terms of engagement, remuneration, independence, qualifications and compliance. Based on this review, it decided that KPMG met all requirements and their terms of engagement were appropriate and they should continue as the Company's auditors for the year ending 31 March 2017. The Audit Committee will review this again in the next financial year, with a formal process extended to inviting other firms to make proposals regarding the provision of audit services.

The Audit Committee meets the external auditors on average three times a year to discuss their remit and any issues arising from their audit work.

Non-audit services policy

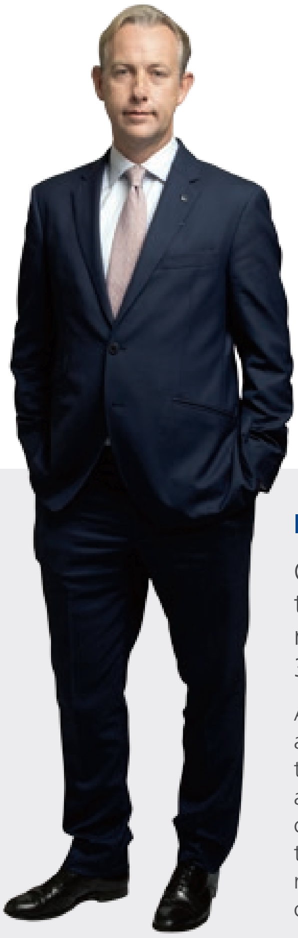
The total non-audit fees paid to the external auditors, KPMG, during the year ended 31 March 2017 were €500,000 (31 March 2016: €20,000). The main non-audit related fees paid to KPMG in the period relate to professional fees associated with the move to the main markets of the London and Johannesburg stock exchanges. KPMG undertook their standard independence procedures in relation to all non-audit related services and concluded their independence and objectivity was not impaired.

Significant matters considered in relation to the financial statements

Significant matters considered	Audit Committee response
Valuation of investment properties The carrying value of investment properties is material to the Group's balance sheet. The valuation, which is performed half-yearly by Cushman & Wakefield LLP, is based upon assumptions including future rental income, anticipated maintenance costs and an appropriate discount and exit cap rate. There is a risk that the carrying value will differ from its net realisable value.	The fair value of the Group's investment properties is determined by an independent valuer on the basis of a ten year discounted cash flow model. The Audit Committee considers the Company's management's assessment of the carrying value of investment property and the appropriateness of supporting business plans as well as the transactional evidence available on the market. The Audit Committee also considers offers that have been received by the Group on properties that have been marketed for sale as well as the levels at which assets have been disposed. The Directors have made discretionary impairments of non-core assets in the past when strong evidence exists to support an adjustment. This evidence includes external offers from potential buyers, expected future prospects and cash flows of the assets based on activity compared to assumptions used by valuers, market conditions and transactional evidence in the specific locations that the assets are located. The external auditors reports to the Audit Committee at the half year on their review and the year end in relation to the audit on their results and findings of their assessment of Cushman & Wakefield's valuation judgements.

Robert Sinclair
Chairman of the Audit Committee
23 June 2017

Directors' remuneration report
Reviewing long-term incentives with shareholder approval



> The Committee has sought to apply the new disclosure requirements on a voluntary basis in order to reflect evolving best practice and to demonstrate our compliance with the UK Corporate Governance Code."

Introduction

On behalf of the Board, I am pleased to present the Directors' remuneration report (the "Report") for the year ended 31 March 2017.

As a Guernsey-incorporated company we are not subject to the UK regulations regarding the presentation of the remuneration report and the disclosures to be made by UK-quoted companies, but the Committee has sought to apply the requirements on a voluntary basis in order to reflect evolving best practice and to demonstrate our compliance with the UK Corporate Governance Code.

The Report is presented in two main sections, the annual report on remuneration, which provides details on the amounts earned in respect of the year ended 31 March 2017 and includes a forward-looking statement on how the remuneration policy will be applied in the year ending 31 March 2018, and the Directors' Remuneration Policy (the "Remuneration Policy"), which sets out the forward-looking Remuneration Policy for Directors.

This has been an important year for the Committee. We have seen the arrival of the Company's new Chairman, Neil Sachdev; various changes to the Board Committees; the appointment of me as Senior Independent Director; and the arrival of Justin Atkinson as a Non-executive Director. Sirius has also been one of the fastest growing listed real estate companies over the last few years, which culminated most significantly in the admission of the Company's shares to the main markets of both the London and Johannesburg stock exchanges on 6 March 2017 ("Admission"). These changes have led to some significant reviews of the Company's remuneration practices and I would like to thank the Committee for all the extra work that this has required this year.

Annual Report on Remuneration

Business performance and incentive out-turn for 2017

As described in the strategic report the Company continues to perform strongly. For the year under review profit before tax increased to €76.4 million (2016: €57.1 million) driven by a combination of organic and acquisitive growth. The Board has declared a final dividend of 1.53c per share representing a 17.8% increase on the same period the previous year. The average cost of debt reduced in the period to 1.99% (2016: 3.0%). Total debt at 31 March 2017 was €348.6 million (31 March 2016: €299.0 million) and the Group's gross loan to value ratio reduced to 42.3% (31 March 2016: 42.8%) whilst the Group's net loan to value ratio reduced to 38.0% (31 March 2017: 41.5%). Total shareholder return, based on an Adjusted NAV per share was 15.3% in the period (31 March 2016: 16.0%) and market capitalisation increased by €194.6 million or 58.8% to €525.5 million* as at 31 March 2017.

* Market capitalisation calculated using number of shares in issue, closing share price on the London Stock Exchange and conversion rate of GBP:EUR of 0.8686.

As a consequence of this performance and strong delivery around both financial, strategic and personal targets, the annual bonus earned by the Executive Directors was 83% and 89% of base salary for Andrew Coombs and Alistair Marks respectively and details are provided on page 57. Base salary was the salary at the start of the financial year and is the salary used to calculate the bonus awards. 35% of the bonus relating to the Company's pre-tax profit performance is deferred for one year and payment of this deferred amount is dependent on an Adjusted FFO condition being achieved for the year ending 31 March 2018. The amounts deferred for one year equate to 11% and 14% of base salary for Andrew Coombs and Alistair Marks respectively. The deferral structure for future bonuses has been changed and further detail is provided below and in the policy table.

Directors' remuneration report continued

Annual Report on Remuneration continued

Business performance and incentive out-turn for 2017 continued

No awards under the Long Term Incentive Plan ("LTIP") were made during the course of the year to the Executive Directors, as under that plan awards are made every three years and the current three year LTIP award cycle ends on 31 March 2018.

During the year, the Executive Directors acquired shares which led to them receiving awards under the Matching Share Plan ("MSP"). The MSP entitled participants to receive one share for every share purchased during the financial year, subject to a continued employment condition and the satisfaction of a profit before tax related performance condition as at the year end. Further details are provided on pages 58 and 59. The MSP was terminated on 31 March 2017, as the Committee does not believe it to be in line with market practice relating to remuneration for main board-listed companies, in particular in relation to the performance hurdles and short-term nature of the scheme.

Rewards for the financial year ending 31 March 2018

In conjunction with the move to the main markets and the decision to terminate the MSP, the Committee undertook a review of the remuneration of the Executive Directors, supported by Deloitte LLP. Changes to the remuneration of the Executive Directors in terms of salary, benefits and pension were approved by the Committee and details are provided on page 57.

Shareholders will note that the LTIP is not included in the policy table as no further awards are to be made to the Executive Directors under this plan. The Committee will be reviewing long-term incentives during the current year and will be seeking shareholder approval for a new long-term plan at the 2018 AGM. This will need to be included in the Remuneration Policy, and therefore an advisory vote for a new policy will also be sought at the 2018 AGM.

In summary

	Fixed pay	Bonus	Long-term incentive
2017	Salaries as at the end of the year were: » Andrew Coombs: £400,000 » Alistair Marks: €345,000 » 15% cash in lieu of pension	100% of base salary (start of year) maximum 83% and 89% out-turn for Andrew Coombs and Alistair Marks respectively 35% of bonus relating to the Company's pre-tax profit performance deferred for one year Shares awarded/to be made under the MSP	No awards made
2018	No change	100% of base salary (start of year) maximum Up to 35% of the full bonus earned deferred into shares, with half vesting after one year and the balance after two years MSP removed	No awards to be made New Long Term Incentive Plan to be designed and shareholder approval sought at the 2018 AGM

Annual General Meeting

The Committee recommends the resolutions to approve (on an advisory basis) the new Remuneration Policy and the annual report on remuneration to shareholders and hopes that shareholders will support the respective resolutions at the AGM on 22 September 2017, recognising that the Remuneration Policy is aligned to strategy and the delivery of shareholder value, and encourages behaviours which facilitate the delivery of sustainable growth and the future development of the business.

Directors' Remuneration Policy report

The following section sets out our Directors' Remuneration Policy (the "policy"). As set out in the Annual Report on Remuneration, it is intended that the policy will be reviewed during the course of the financial year ending 31 March 2018 as a result of the Company's admission on 6 March 2017 to the main markets of both the London and Johannesburg stock exchanges. This review will include the terms of a new Long Term Incentive Plan which the Board intends to develop with the Executive team for the start of the 2018–19 financial year.

The aim of the policy is to align the interests of Executive Directors with the Group's strategic vision and the long-term creation of shareholder value. The policy is intended to remunerate our Executive Directors competitively and appropriately for effective delivery of this and allows them to share in this success and the value delivered to shareholders.

Executive Directors' Remuneration Policy

The table sets out the elements of Executive Directors' remuneration and how each element operates, as well as the maximum opportunity of each element and any applicable performance measures.

Fixed remuneration

Element, purpose and strategic link	Operation	Maximum opportunity
Basic salary To provide a competitive base salary for the market in which the Group operates to attract and retain Executive Directors of a suitable calibre.	Usually reviewed annually taking account of: » Group performance; » role, experience and individual performance; » competitive salary levels and market forces; and » pay and conditions elsewhere in the Group.	Increases will normally be in line with the range of salary increases awarded (in percentage terms) to other Group employees. Increases above this level may be awarded to take account of individual circumstances, such as: » promotion; » change in scope or increase in responsibilities; » an individual's development or performance in role; and » a change in the size or complexity of the business.
Benefits To provide market competitive benefits as part of the total remuneration package.	Executive Directors currently receive private medical insurance, income insurance and death in service benefits. Other benefits may be provided based on individual circumstances, for example, relocation or travel expenses or the provision of a company car or cash allowance.	Whilst the Committee has not set a maximum level of benefits that Executive Directors may receive, the value of benefits is set at a level which the Committee considers appropriate, taking into account market practice and individual circumstances.
Retirement benefits To provide an appropriate level of retirement benefit (or cash allowance equivalent).	Executive Directors are provided with a contribution to a self-invested pension plan or a cash allowance instead of contributions to a pension plan.	The maximum contribution level is set at 15% of salary.

Directors' remuneration report continued

Directors' Remuneration Policy report continued

Executive Directors' Remuneration Policy continued

Variable remuneration

Element, purpose and strategic link	Operation	Maximum opportunity
Annual bonus Rewards performance against targets which support the strategic direction and financial performance of the Group. Deferral provides a retention element through share ownership and direct alignment to shareholders' interests.	Awards are based on performance (typically measured over one year). Pay-out levels are normally determined by the Committee after the year end. The Committee has discretion to amend pay-outs should any formulaic output not reflect their assessment of performance. A proportion (normally up to 65%) of any bonus is paid in cash with the balance normally paid in the form of shares, half of which are usually deferred for one year and half for two years. Awards may include dividend equivalents earned over the deferral period, which may be delivered in cash or in additional shares and which may assume the reinvestment of dividends on such basis as the Committee determines.	The annual bonus opportunity is up to a maximum of 100% of base salary. Targets are set annually and aligned with key financial, strategic and/or individual targets with the weightings between these measures determined by the Committee each year considering the Group's priorities at the time. At least 50% of the bonus will be based on profit related measures. For financial measures, no financial element is earned for threshold performance rising to 100% of the maximum for the financial element for maximum performance. Vesting of the bonus in respect of strategic measures or individual objectives will be between 0% and 100% based on the Committee's assessment of the extent to which the relevant metric or objective has been met.

Legacy plans

The Company has two legacy share plans in place under which Executive Directors have an interest in vested and unvested shares. These are the Matching Share Plan ("MSP") and the Long Term Incentive Plan ("LTIP"). Awards have been granted under the MSP in relation to the shares acquired by the Executive Directors in the financial year ended 31 March 2017 and no further awards will be made after this. No further grants will be made under the LTIP to the Executive Directors.

The Committee retains discretion to make any remuneration payment or payment for loss of office outside the policy in this report:

» where the terms of the payment were agreed before the policy came into effect (including the satisfaction of awards granted under the LTIP and the MSP); and

» where the terms of the payment were agreed at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration of the individual becoming a Director of the Company.

For these purposes, "payment" includes the satisfaction of awards of variable remuneration and, in relation to an award over shares, the terms of the payment are agreed at the time the award is granted.

Information supporting the policy table

Explanation of performance measures chosen

Performance measures for the annual bonus and long-term incentive are selected that reflect the Group's strategy. Performance targets are set each year by the Committee, taking into account a number of different factors.

For FY17/18, the annual bonus will be subject to appropriately stretching performance conditions based on adjusted Funds from Operations ("FFO") (as regards 60% of the award), strategic objectives (as regards 20% of the award) and personal objectives (as regards 20% of the award). The Committee considers that adjusted FFO is the primary measure of short-term performance and seeks to balance this with other strategic and personal targets which reflect the contribution and focus of the Executive Directors.

The Committee retains the discretion to adjust or set different performance measures or targets where it considers it appropriate to do so (for example, to reflect a change in strategy, a material acquisition and/or a divestment of a Group business or change in prevailing market conditions and to assess performance on a fair and consistent basis from year to year). Awards and options may be adjusted in the event of a variation of share capital in accordance with the rules of the LTIP.

Recovery provisions

The Committee has the right to reduce, cancel or impose further restrictions on unvested deferred bonus shares in certain circumstances (including a material error or misstatement of the financial results, gross misconduct or a material failure of risk management).

Shareholding guidelines

To promote further alignment to shareholders' interests and share ownership, Andrew Coombs and Alistair Marks are subject to a minimum shareholding requirement of 1,400,000 and 950,000 shares respectively.

This limit is kept under review by the Committee. Until this guideline is met Executive Directors will be required to retain half of any shares which vest under the deferred bonus or LTIP (after sales to cover tax).

Non-Executive Directors' Remuneration Policy

The Remuneration Policy for the Chairman and Non-Executive Directors is to pay fees necessary to attract an individual of the calibre required, taking into consideration the size and complexity of the business and the time commitment of the role, without paying more than is necessary. Details are set out in the table below:

Approach to setting fees	» The fees of the Non-executive Directors are agreed by the Chairman and CEO and the fees for the Chairman are determined by the Board as a whole. » Fees are set taking into account the level of responsibility, relevant experience and specialist knowledge of each Non-executive Director and fees at companies of a similar size and complexity.
Basis of fees	» Non-executive Directors are paid a basic fee for membership of the Board with additional fees being paid for Chairmanship of Board Committees. » Additional fees may also be paid for other Board responsibilities or roles, such as the Senior Independent Director. » Fees are normally paid in cash.
Other	» Non-executive Directors may be eligible to receive reasonable reimbursements such as travel and other expenses. » Neither the Chairman nor any of the Non-executive Directors are eligible to participate in any of the Group's incentive arrangements.

Approach to recruitment remuneration

The policy aims to facilitate the appointment of individuals of sufficient calibre to lead the business and execute the strategy effectively for the benefit of shareholders. When appointing a new Executive Director the Committee seeks to ensure that arrangements are in the best interests of the Company and not to pay more than is appropriate. The Committee will take into consideration relevant factors, which may include the calibre of the individual, their existing remuneration package, and their specific circumstances, including the jurisdiction from which they are recruited.

The Committee will typically seek to align the remuneration package with the Group's Remuneration Policy. The Committee may make payments or awards to recognise or "buy out" remuneration packages forfeited on leaving a previous employer. The Committee's intention is that such awards would be made on a "like-for-like" basis to those forfeited. The discretion will not be used to make non-performance related incentive payments (for example, a "golden hello").

Recognising that any new Executive Director appointed from outside the business would not participate in the LTIP or any other existing long-term incentive arrangement, an additional annual bonus opportunity may be offered until such time as a new long-term incentive arrangement is put in place in which that new Executive Director can participate. Accordingly taking this and the maximum annual bonus in the policy table into account, the overall variable pay maximum which could form part of the recruitment arrangement is 250% of salary.

The remuneration package for a newly appointed Chairman or Non-executive Director will normally be in line with the structure set out in the Non-executive Directors' Remuneration Policy.

Directors' remuneration report continued

Directors' Remuneration Policy report continued

Service contracts

Each of the Executive Directors have service contracts with the Group. The notice period of Executive Directors' service will not exceed six months. All Non-executive Directors have initial fixed term agreements with the Group for no more than three years. Details of the Directors' service contracts are set out below:

Name	Commencement	Notice period
Andrew Coombs	20 January 2012	6 months
Alistair Marks	20 January 2012	6 months
Justin Atkinson	13 March 2017	3 months
James Peggie	27 November 2012	3 months
Neil Sachdev	6 July 2016	3 months
Wessel Hamman	17 May 2011	3 months
Robert Sinclair	12 April 2007	3 months

Payments for loss of office

Payments for loss of office will be in line with the provisions of the Executive Directors' service contracts and the rules of the share plans. The Company retains the right to terminate each Executive Director's service agreement by making a payment in lieu of some or all of the notice period. Any such payment would consist of base salary but not benefits in respect of the unexpired notice period for termination. Post-termination restrictive covenants are in place for six months after notice of termination has been given, and under their service agreements, the Executive Directors are entitled to a payment of 100% of salary for observing these restrictions. This is a legacy arrangement in their service contracts and will not be replicated for future appointments.

Any payment to an Executive Director on termination in respect of annual bonus will be determined by the Committee taking into account the circumstances of the termination. Any payment will be pro-rated to reflect the proportion of the bonus year worked and subject to performance achieved. The Committee retains discretion to pay the whole of the bonus for the year of departure and/or the previous year in cash.

Any deferred amounts from bonus earned in previous years will normally be retained unless the Executive Director resigns or is summarily dismissed. Payments will ordinarily only be made at the usual time (although the Committee retains discretion to make payments early in appropriate circumstances). The Committee retains discretion to pay the whole of the bonus for the year of departure and/or the previous year in cash.

In appropriate circumstances, payments may also be made in respect of accrued holiday, outplacement, legal fees and other benefits. The Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise or any claim arising in connection with the termination of Director's office or employment. Where the Committee retains discretion it will be used to provide flexibility in certain situations, taking into account the particular circumstances of the Director's departure and performance.

On termination of employment, entitlements under the legacy LTIP and MSP arrangements in respect of both vested and unvested awards will be dealt with in accordance with the terms of those plans and the awards.

There is no entitlement to any compensation in the event of Non-Executive Directors' contracts not being renewed or being terminated without notice in accordance with their terms.

Consultation with shareholders

The Committee will consider shareholder feedback received on remuneration matters including issues raised at the AGM as well as any additional comments received during any other meeting with shareholders. The Committee will seek to engage directly with major shareholders and their representative bodies should any material changes be made to the policy.

Statement of consideration of employment conditions elsewhere in the Group

The Committee considers the pay and employment conditions of Group employees generally and takes these into account when determining the remuneration of the Executive Directors.

External appointments

None of the Executive Directors currently have an external appointment. The Directors recognise that external appointments can broaden an individual's skills and experience. If an Executive Director wishes to take up an external appointment, he or she must first seek approval from the Chairman.

Illustrations of application of Remuneration Policy

The Company is voluntarily electing to adopt a Remuneration Policy. It would usually also include the illustration of the application of Remuneration Policy. However, as there is no current long-term incentive plan in the policy the Committee considers that this does not provide a useful illustration and will therefore seek to include it next year when a new long-term plan has been developed.

Annual report on remuneration

Single figure table

The following table sets out total remuneration for each Director in respect of the year ended 31 March 2017 using exchange rates at the end of the month in which the transaction occurred with the exception of those relating to the MSP which is calculated using exchange rates in place at time of approval.

31 March 2017	Salary/fees	Benefits	Pension	Bonus	MSP	Total
Executive Directors						
Andrew Coombs	€351,928	€42,133	€47,992	€300,085	€164,005	€906,143
Alistair Marks	€308,574	€25,072	€35,699	€269,340	€171,063	€809,748
Non-executive Directors						
Neil Sachdev*	€71,187	—	—	—	—	€71,187
Robert Sinclair**	€55,433	—	—	—	—	€55,433
Justin Atkinson***	€2,450	—	—	—	—	€2,450
Wessel Hamman	€44,538	—	—	—	—	€44,538
James Peggie****	€57,112	—	—	—	—	€57,112

* Neil Sachdev was appointed as a Non-executive Director on 6 July 2016 and was subsequently appointed as Chairman on 26 September 2016. His fees therefore reflect his role as a Non-executive Director and Chairman during the year.

** Robert Sinclair stepped down as Chairman on 26 September 2016 and continued as a Non-executive Director. His fees therefore reflect his role as Chairman and a Non-executive Director during the year.

*** Justin Atkinson was appointed as a Non-executive Director on 13 March 2017.

**** James Peggie took over some of Robert Sinclair's responsibilities during a period when Robert Sinclair was unwell and received an extra fee for doing so. Robert Sinclair's fees were adjusted accordingly for the period of his absence.

Additional disclosures in respect of the single figure table

Base salary

The salaries applicable from admission are shown below (converted to euros based on the exchange rate at the date of admission).

Executive Director	Base salary at admission
Andrew Coombs	€462,480
Alistair Marks	€345,000

Taxable benefits

Taxable benefits for the Executive Directors include private medical insurance and income protection insurance.

Directors' remuneration report continued

Annual report on remuneration continued

Annual bonus

For the year ended 31 March 2017, Andrew Coombs was awarded bonuses equal to 83% and Alistair Marks was awarded bonuses equal to 89% of base salary. The following table sets out the bonus earned by the Executive Directors and how this reflects performance for the year.

Performance measure	Opportunity for maximum performance (% of salary)	Actual performance	Bonus earned (% of salary)
Pre-tax profit performance 2.5% of the Company's excess adjusted pre-tax profits above a specified pre-tax profits hurdle value. Andrew Coombs and Alistair Marks were entitled to receive a bonus equivalent to 2.5% of the difference between the adjusted profit before tax (before bonuses) as at 31 March 2017 and the hurdle of €31,031,898. The calculation excludes adjusted pre-tax profit associated with acquisitions and adjusts for disposals completed during the financial year.	Capped at 50%	Pre-tax profit as calculated for this measure came to €35,779,315. Hurdle value exceeded such that 33% and 39% of base salary was earned by Andrew Coombs and Alistair Marks respectively.	Andrew Coombs 33% and Alistair Marks 39%.
Share price performance relative to adjusted NAV per share The Company's share price is above the reported 3057September 2016 adjusted NAV per share for at least 42 out of 45 consecutive trading days between the date of the announcement of: (1) the interim results for the period ended 30 September 2016; and (2) the full year results for the year ended 31 March 2017.	20%	Performance measure achieved.	20%
LTV performance Achievement of a LTV performance target of 42% as at 31 March 2017. The target calculation allowed for the addition of cash raised during the year but not invested in property assets by the year end to the gross property assets.	20%	Performance measure achieved.	20%
Main market listing Achievement of main market listing on either or both of the LSE and JSE by 31 March 2017.	10%	Main market listing on both the LSE and JSE on 6 March 2017.	10%
Total – Andrew Coombs	**100%**		**83%**
Total – Alistair Marks	**100%**		**89%**
Amount deferred for one year* – Andrew Coombs			**11%**
Amount deferred for one year* – Alistair Marks			**14%**

* 35% of the bonus earned in respect of pre-tax profit performance (9% of base salary at Admission for Andrew Coombs and 12% of base salary at Admission for Alistair Marks) is deferred for one year. The deferred amount may be reduced in full if Adjusted FFO for the year ending 31 March 2018 is more than 20% below the bottom of the target range for the year ended 31 March 2018. In the event that pre-tax profit is less than 10% of the bottom of the target range, the deferred amount will be reduced by 25% and if it is between 10% than 20%, the deferred amount will be reduced by 50%.

MSP

Andrew Coombs and Alistair Marks acquired 250,199 and 260,965 ordinary shares in the Company respectively during the year ended 31 March 2017. These ordinary shares were acquired through personal funds and election to receive ordinary shares by way of a scrip dividend. The terms of the MSP stipulated that such shares acquired are to be matched on a one-to-one basis by the Company, subject to the same adjusted pre-tax profit hurdle as the pre-tax performance bonus measure having been met. Under the terms of the MSP, Andrew Coombs and Alistair Marks should be issued 250,199 and 260,965 ordinary shares respectively at no cost.

However, the Company has agreed to issue 132,605 ordinary shares to Andrew Coombs and 143,531 ordinary shares to Alistair Marks and in lieu of the remaining shares will pay €77,083 and €76,978 respectively to meet the individuals' tax obligations on the issue of the shares. The ordinary shares are subject to a minimum holding period of one year following the date of issue.

Executive Director	Number of shares to be issued	Tax obligations met by the Company	Value*
Andrew Coombs	132,605	€77,083	€164,005
Alistair Marks	143,531	€76,978	€171,063

* The value of the ordinary shares to be issued under the MSP has been valued based on the Company's average closing share price on the London Stock Exchange for the three months ended 31 March 2017, converted into Euros using an average GBP:EUR exchange rate for the period since 6 March 2017 when the ordinary shares have been traded in Pounds Sterling. Total value is the value of the issued shares plus the tax obligation met by the Company.

Long-term incentives

No long-term incentive awards were granted during or vested in respect of the year ended 31 March 2017.

Non-executive Director fees

Non-executive Director fees applicable from admission are shown below converted to euros based on the exchange rate at the date of admission and rounded to the nearest thousand.

	Fees at admission
Chairman fee	€139,000
Non-executive Director fee	€46,000
Additional fee for Chair of the Audit Committee	€9,000
Additional fee for Chair of the Remuneration Committee	€9,000
Additional fee for Senior Independent Director	€6,000

Payments made to former Directors during the year

No payments were made in the year to any former Director of the Company.

Payments for loss of office made during the year

No payments for loss of office were made in the year to any Director of the Company.

Statement of Directors' shareholding and share interests

The interests of the Directors and their connected persons in the Company's ordinary shares as at 31 March 2016 and 31 March 2017 were as set out below. There have been no changes to those interests between 31 March 2017 and the date of signing of these financial statements.

		As at 31 March 2017		As at 31 March 2016	
Director	Type	**Owned outright**	**Unvested and subject to performance conditions**	Owned outright	Unvested and subject to performance conditions
Andrew Coombs	Shares	**4,445,653**		3,981,400	
	LTIP		**8,750,000**		8,750,000
Alistair Marks	Shares	**2,485,037**		2,187,490	
	LTIP		**8,750,000**		8,750,000
Neil Sachdev	Shares	**23,137**		n/a	
Robert Sinclair	Shares	**364,158**		345,108	
Justin Atkinson	Shares	**87,000**		n/a	
Wessel Hamman*	Shares	**100,000**		100,000	
James Peggie	Shares	**1,402,678**		1,402,678	

* Wessel Hamman represents certain direct or indirect interests in entities managed by Clearance Capital Limited, which currently hold 7,365,866 ordinary shares. He is also a director of Homestead Group Holdings Limited which currently holds an indirect interest in 86,093,654 ordinary shares.

For the year ended 31 March 2017, Andrew Coombs and Alistair Marks were subject to a minimum shareholding requirement of 1,200,000 and 800,000 shares respectively. This increased to 1,400,000 in Andrew Coombs' case and 950,000 in Alistair Marks' case with effect from Admission. The shareholding requirements were satisfied.

Directors' remuneration report continued

Annual report on remuneration continued

Implementation of Directors' Remuneration Policy for the year ending 31 March 2018

Information on how the Company intends to implement the Directors' Remuneration Policy for the year ending 31 March 2018 is set out below.

Salary/fees

Executive Director salaries and Non-executive Director fees were effective from admission. No changes are expected during the year ending 31 March 2018.

Annual bonus

The maximum annual bonus opportunity for the year ending 31 March 2018 will remain at 100% of base salary (start of year).

The annual bonus will be subject to stretching performance conditions based on adjusted FFO (as regards 60% of the award), strategic objectives (as regards 20% of the award) and personal objectives (as regards 20% of the award).

The Committee considers the performance targets and objectives to be commercially sensitive. Details of the performance targets and objectives, and performance against them, will be disclosed when they are no longer considered commercially sensitive.

Adjusted FFO means Adjusted Profit before Tax* adjusted for depreciation, amortisation of financing fees and current tax receivable/incurred, and excluding acquisitions completed in FY2018 (except for the Frankfurt (Praunheimer Landstrasse) and Cologne (Frankfurter Strasse) acquisitions which completed in April 2017 and June 2017 respectively) and senior management bonuses.

* Reported Profit before Tax adjusted for property revaluation, change in fair value of derivative financial instruments and other adjusting items including expenses relating to the Long Term Incentive Plan.

35% of any bonus earned will be deferred into share awards which will ordinarily vest in equal tranches on the first and secondary anniversaries of the date of grant, subject to continued employment and malus provisions. The remainder of any bonus earned will be paid in cash. A formal set of plan rules will be adopted to facilitate the deferral into shares which will include malus and clawback provisions. The operation of the plan will be summarised in next year's remuneration report.

LTIP

No LTIP awards will be granted during the year ending 31 March 2018.

Consideration by the Directors of matters relating to Directors' remuneration

The Committee comprised four Non-executive Directors as at 31 March 2017. The Committee members' attendance at meetings was as follows:

Committee member as at 31 March 2017	Meeting attendance
James Peggie (Chairman)	6/6
Wessel Hamman	4/6
Neil Sachdev	3/6
Robert Sinclair	3/6

The Committee's key responsibilities for the year ended 31 March 2017 included:

- confirming the annual bonus awards for the year ended 31 March 2016;
- setting the performance measures for the annual bonus awards for the year ended 31 March 2017;
- reviewing the ongoing appropriateness and relevance of Remuneration Policy, including the production of a Remuneration Policy appropriate for the main market listings in London and Johannesburg;
- reviewing and approving the remuneration packages of the Non-executive Directors, including the new Chairman of the Company and the extra responsibilities following admission;
- reviewing and approving the remuneration packages of the Executive Directors, in particular in light of admission;
- recommending and monitoring the level and structure of remuneration of senior management; and
- production of the annual report on the Directors' remuneration.

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

Advice to the Committee

Andrew Coombs and Alistair Marks occasionally attended meetings and provided information and support as requested. Neither Executive Director was involved in determining their own remuneration.

The Committee received independent advice from Deloitte LLP during the year ended 31 March 2017. Deloitte LLP is a founder signatory to the Remuneration Consultants Group's Code of Conduct and is considered by the Committee to be independent.

Approval

This Report was approved by the Board on 23 June 2017 and signed on its behalf by:

James Peggie
Chairman of the Remuneration Committee
23 June 2017

Nomination Committee report
Ensuring adequate succession planning for the Board

> The Committee considers and makes recommendations to the Board on its composition so as to maintain an appropriate balance of skills and knowledge, relevant experience, independence and diversity."

Dear shareholder

On behalf of the Board, I am pleased to present the Directors' nomination report for the year ended 31 March 2017.

Composition of the Nomination Committee

The Nomination Committee comprises four members: Neil Sachdev who was appointed Chairman on 23 September 2016, taking over the role from Robert Sinclair, who remains a member, alongside Wessel Hamman and James Peggie. Andrew Coombs stepped down from the Committee on 21 November 2016. The Nomination Committee is now complied with the UK Corporate Governance Code and the South African King III Code of Corporate Governance Principles which recommends that the majority of the members of a nomination committee should be independent non-executive directors.

The Nomination Committee assists the Board in reviewing the structure, size, composition, diversity and performance of the Board. It is also responsible nominating new Directors to become part of the Board, as appropriate.

Details of attendance at the Nomination Committee meetings during the financial year ended 31 March 2017 are set out on page 66.

Role and responsibilities

The role of the Nomination Committee is to consider and make recommendations to the Board on its composition so as to maintain an appropriate balance of skills and knowledge, relevant experience, independence and diversity, including gender, and to ensure adequate succession planning for the Board.

Before the appointment of any new Director is recommended to the Board, the description of the role and the required capabilities are established by the Committee for presentation to the Board. Whilst the Nomination Committee is committed to selecting the best person for the role of Director, the Committee alongside the Board aims to promote and recognise the importance of diversity.

The Chairman of the Nomination Committee is primarily responsible for interviewing suitable candidates and a recommendation is then made to the Board for final approval.

Activities of the Nomination Committee

To discharge its duties the members of the Nomination Committee met on three occasions during the year under review, on 20 June 2016, 23 September 2016 and 17 February 2017 to consider the diversity, composition and balance of the Board, Board succession planning and the selection of suitable candidates to be recommended to the Board for appointment. Following these meetings, two appointments were recommended to the Board for approval, namely the appointment of Neil Sachdev and Justin Atkinson as independent Non-executive Directors, both bringing additional skills and experience to the Board to support future growth and the strategic aims of the Company.

Nomination Committee report continued

Nomination Committee summary

Committee Chairman

Neil Sachdev

Other members

Wessel Hamman
James Peggie
Robert Sinclair

Meetings held

Three

Role and responsibilities of the Nomination Committee

- Review the structure, size, diversity (including gender), composition and performance of the Board.
- Prepare a description of the role and capabilities required for a particular appointment.
- Nominate new Directors to become part of the Board, as appropriate.
- Provide suitable terms of engagement and an induction plan to all new appointees.
- Identify, from a variety of sources including the possible use of search consultants, and nominate for the approval of the Board, candidates to fill Board vacancies as and when they arise.
- Undertake an annual performance evaluation of the Chairman and the Board.
- Evaluate the balance of skills, experience, independence and knowledge on the Board.

The Committee's terms of reference are available on the Company's website, www.sirius-real-estate.com.

Developments in the year

Prior to listing on the main markets of both the London and Johannesburg stock exchanges in March 2017 the primary focus of the Nomination Committee was the review of Board composition and its supporting policies and procedures. During the listing process the role and responsibilities of the Nomination Committee were reviewed with new terms of reference being approved in February 2017 that included changes in Committee composition, authority and scope of work. As a result, Neil Sachdev joined and replaced Robert Sinclair as the Chairman of the Nomination Committee and Andrew Coombs left the Committee. The additional areas of focus for the Nomination Committee now include the provisions of the UK Corporate Governance Code and the South African King III Code of Corporate Governance Principles.

Activities of the Nomination Committee continued

The Board has employed the executive search firm The Inzito Partnership to assist in the search for Non-executive Directors, which it concludes is an effective way to find suitable candidates.

On appointment each Non-executive Director receives a letter of appointment, setting out, among other things, their role and duties and that they are expected to allocate sufficient time to perform their duties effectively, making themselves available for all regular and ad hoc meetings, as well as providing for them to sit on Committees of the Board as required during their tenure.

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

In addition the Nomination Committee reviewed and agreed the 2016 Board evaluation process and provided feedback on that process to the Board for consideration at the 23 September 2016 meeting. The evaluation was carried out on the performance of the Board, the Committees and individual Directors.

A review of the Committee's terms of reference was also undertaken following the move to a dual main market listing on 6 March 2017 and they were updated to comply with the principles contained in the South African King III Code of Corporate Governance Principles and the September 2014 edition of the UK Corporate Governance Code issued by the Financial Reporting Council.

Neil Sachdev
Chairman of the Nomination Committee
23 June 2017

Directors' report

The Directors submit their report with the audited financial statements for the year ended 31 March 2017. A review of the Group's business and results for the year is contained in the Chairman's statement, the Asset Management review and the Financial review which should be read in conjunction with this report.

The Directors have complied with 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 statement of cash flows and related notes for the financial year ended 31 March 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and in accordance with any relevant enactment for the time being in force, and are in agreement with accounting records, which have been properly kept in accordance with Section 238 of the Companies (Guernsey) Law, 2008.

Business of the Group

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

Results for the year

These results are set out in the consolidated statement of comprehensive income on page 71.

The Group's profit after tax attributable to the equity holders of the Company for the year was €66.9 million (2016: €54.7 million). The Group has continued its policy to pay out 65% of its FFO* and has paid a final dividend of 1.30c per share for the year ended 31 March 2016 on 15 July 2016 and an interim dividend of 1.39c per share for the six months ended 30 September 2016 on 20 January 2017.

The Board has declared a final dividend of 1.53c per share for the second half of the year ended 31 March 2017. The final dividend will be paid on 18 August 2017, with the ex-dividend dates being 12 July 2017 for shareholders on the South African register and 13 July 2017 for shareholders on the UK register. It is intended that dividends will continue to be paid on a semi-annual basis and offered to shareholders in cash or scrip form.

* Adjusted profit before tax adjusted for depreciation, amortisation of financing fees and current tax receivable/incurred.

Going Concern and Viability Statement

The Directors have examined significant areas of possible financial risk and have reviewed cash flow forecasts and compliance with the debt covenants, in particular the loan to value covenant and interest cover ratio. They have not identified any material uncertainties which would cast significant doubt on the Group's ability to continue as a going concern for a period of not less than twelve months from the date of the approval of the financial statements. The Directors have satisfied themselves that the Group has adequate resources to continue in operational existence for the foreseeable future. After due consideration, the Board believes it is appropriate to adopt the going concern basis in preparing the financial statements.

The Viability Statement can be found on page 38. The Group's activities, strategy and performance are explained in the strategic report from page 2. Further details of the financial performance and financial position of the Group are provided in the financial statements on pages 71 to 104.

Valuation and net assets

(i) Valuation

Cushman & Wakefield LLP (2016: Cushman & Wakefield LLP) valued the Group's investment properties, excluding assets held for sale at €735.3 million as at 31 March 2017 (2016: €695.2 million). After adjusting investment properties for lease incentive accounting and Directors' write-downs on non-core assets, the value of investment properties is shown as €727.3 million (2016: €687.5 million) in the consolidated statement of financial position.

(ii) Net assets

The investment property valuation has been incorporated into the financial statements for the year ended 31 March 2017 and the net assets of the Group at that date amounted to €495.3 million (2016: €387.1 million).

Directors

	Date appointed
Robert Sinclair	11 April 2007
Wessel Hamman	17 May 2011
James Peggie	28 November 2012
Andrew Coombs	1 May 2014
Alistair Marks	1 May 2014
Neil Sachdev	6 July 2016
Justin Atkinson	13 March 2017

Robert Sinclair stepped down from his position as Chairman of the Board on 26 September 2016 and is the Chairman of the Audit Committee.

Neil Sachdev was appointed as Chairman of the Board on 26 September 2016 and is also the Chairman of the Nomination Committee and the Investment Committee.

James Peggie was appointed as Senior Independent Director on 6 March 2017 and is the Chairman of the Remuneration Committee and the Disclosure Committee.

Andrew Coombs stepped down from the Nomination Committee on 21 November 2016.

Directors' report continued

Substantial shareholders

At 31 March 2017, 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
Old Mutual Investment Group	72,322,750	8.24%
Arctospark*	48,051,020	5.47%
Coronation Group Investments Limited	36,306,545	4.14%
BMO Global Asset Management	34,517,284	3.93%
Mstead Limited	30,528,667	3.48%
Woodford Investment Management	29,586,777	3.37%

* Arctospark are part of the Homestead Group which includes Mstead Limited and PDI Investment Holdings Limited and together own 86,093,654 shares or 9.81% of the Company's share capital.

Treasury operations and financial instruments

The Group's policy in relation to financial risk management and the use of financial instruments is set out in notes 21 and 22 to the financial statements.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the EU and applicable law.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that 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 the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They have general responsibility for taking such steps as reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

We confirm to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group and the undertakings included in the consolidation taken as a whole and comply with the Companies (Guernsey) Law, 2008;
- the strategic report on pages 2 to 38 and governance report on pages 40 to 66 include a fair review of the development and performance of the business and the position of the Group and the undertaking included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties it faces; and
- the Annual Report and consolidated financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Corporate governance

The Board has resolved that the disclosures to be made in the Annual Report regarding the operation of the Board and its sub-committees should comply with the requirements of the UK Corporate Governance Code (the "Code"), the Companies (Guernsey) Law, 2008, the South African King III Code of Corporate Governance Principles and best practice generally following the move to the premium listing segment of the Financial Conduct Authority ("FCA") and to trading on the London Stock Exchange's Main Market of listed securities.

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 system 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. The Board believes it has an appropriate balance of skills and experience.

Board meetings follow a formal agenda of matters reserved for decision and approval by the Board and also address any special business. Matters reserved for the Board include the review of strategy, the review and monitoring of internal controls and risk management processes, the approval of significant investments and disposals, the approval of budgets, and the regular review of current trading and the financial position of the Group.

The Board receives regular reports on current trading and the financial position and forecasts of the Group prior to its meetings. In addition, the Board receives relevant information on business, corporate and strategic issues.

The Company, at the start of each Board meeting, as a routine item requests that each Director declare any interests that might conflict with the agenda items under discussion. Directors may also notify the Company, via the Company Secretary, at any time, of any potential or future conflicts that may arise. Any such notifications are reviewed at the next Board meeting and, if considered appropriate, authorised. Directors do not participate in the discussion or vote regarding their own conflicts of interest.

All Directors may take independent professional advice at the Group's expense in the furtherance of their duties and have full access to the Company Secretary.

Upon appointment, Non-executive Directors undertake an induction process to familiarise themselves with the Group's activities, policies and key issues. During their appointment they are expected to dedicate adequate time to carry out their role effectively and to challenge management in a constructive way.

The Chairman meets regularly with the other Non-executive Directors to discuss the performance of the Board and the Board sub-committees. The performance of Executive Directors is measured against predetermined objectives that are agreed with each Executive Director at the start of the financial year.

The Chairman has no executive responsibilities but leads and sets the agenda for the Board. The Chairman also acts as an interface between the Executive Directors and the Non-executive Directors.

Directors' attendance

Of the 30 Meetings held five were scheduled and the remainder were ad hoc.

	Board	Audit Committee	Disclosure Committee	Investment Committee*	Nomination Committee	Remuneration Committee
Total meetings to 31 March 2017	30	3	1	—	3	6

* The Investment Committee has not yet convened its first meeting.

Directors' report continued

Meetings attended to 31 March 2017

	Neil Sachdev*	James Peggie	Wessel Hamman	Robert Sinclair	Justin Atkinson**	Andrew Coombs	Alistair Marks
Executive	n/a	n/a	n/a	n/a	n/a	Yes	Yes
Non-executive	Yes	Yes	Yes	Yes	Yes	n/a	n/a
Independent	Yes	Yes	No	Yes	Yes	No	No
Board	17	30	23	19	1	24	27
Audit Committee	2	3	3	2	n/a	n/a	n/a
Disclosure Committee	1	1	n/a	n/a	n/a	n/a	n/a
Nomination Committee	2	3	3	1	n/a	2***	n/a
Remuneration Committee	4	6	6	3	n/a	n/a	n/a

* Neil Sachdev was appointed on 6 July 2016.

** Justin Atkinson was appointed on 13 March 2017.

*** Andrew Coombs stepped down from the Nomination Committee on 21 November 2016.

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.

Company website

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

By order of the Board

Intertrust Fund Services (Guernsey) Limited
Company Secretary
23 June 2017

Financial statements

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

Overview
Materiality: group financial statements as a whole
€5.9m (2016:€5m)
0.7% (2016: 0.7%) of Gross Assets

Coverage
100% (2016:100%) of Gross Assets

Risks of material misstatement vs 2016
Recurring risks
Valuation of Investment properties

Opinions and conclusions arising from our audit
1. Our opinion on the group financial statements is unmodified

We have audited the group financial statements ("the financial statements") of Sirius Real Estate Limited ("the Company" and together with its subsidiaries "the group") for the year ended 31 March 2017 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related notes. In our opinion the financial statements:

» give a true and fair view of the state of the group's affairs as at 31 March 2017 and of its profit for the year then ended;

» have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and

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

2. Our assessment of risks of material misstatement

The risks of material misstatement detailed in this section of this report are those risks that we have deemed, in our professional judgement, to have had the greatest effect on: the overall audit strategy; the allocation of resources in our audit; and directing the efforts of the engagement team. Our audit procedures relating to these risks were designed in the context of our audit of the financial statements as a whole. Our opinion on the financial statements is not modified with respect to any of these risks, and we do not express an opinion on these individual risks.

In arriving at our audit opinion above on the financial statements, the risks of material misstatement that had the greatest effect on our audit, were as follows:

VALUATION OF INVESTMENT PROPERTIES

Valuation

» €727.3 million; 2016: €687.5 million.

» Refer to page 50 (Audit Committee Report), page 77 (accounting policy) and pages 88 and 89 (financial disclosures).

The risk

The group holds investment properties which consist primarily of business retail parks located in Germany. The value of the investment properties has been arrived at on the basis of a valuation carried out by Cushman and Wakefield. Investment properties account for 81% of total assets at 31 March 2017 (2016: 95% of total Assets).

Determination of fair value of investment properties is considered a significant audit risk due to the magnitude of the balance and the subjective nature of the valuation which involves significant judgement and estimates.

Our response

Our audit procedures included but were not limited to:

Evaluating the external property valuer

Cushman and Wakefield prepared the valuation report used by group. We assessed the competence, capabilities and objectivity of Cushman and Wakefield. We also assessed the independence of Cushman and Wakefield by considering the scope of their work and the terms of their engagement with Sirius Real Estate Limited.

Evaluating unobservable inputs

We critically assessed the valuation report prepared by the external property valuer by evaluating the appropriateness of the valuation methodologies and assumptions used, including undertaking discussions on key findings with the external valuer and challenging the unobservable inputs used, with the assistance of our own real estate specialist.

Agreeing observable inputs used in the valuations

We verified the accuracy of the underlying lease and occupancy data used by Cushman and Wakefield by agreeing the data back to the group's accounting records.

Evaluating controls

We evaluated the design and implementation of the control over the valuation of investment properties.

Consideration of accounting policies

We also considered the group's investment property valuation policies and their application as described in the notes to the group financial statements for compliance with International Financial Reporting Standards as adopted by the European Union in addition to the adequacy of disclosures in the notes to the group financial statements in relation to the fair value of the investment properties.

Opinions and conclusions arising from our audit continued

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

Materiality for the financial statements as a whole was set at €5.9m, determined with reference to a benchmark of group Gross Assets of €893m, of which it represents 0.7% (2016: 0.7%).

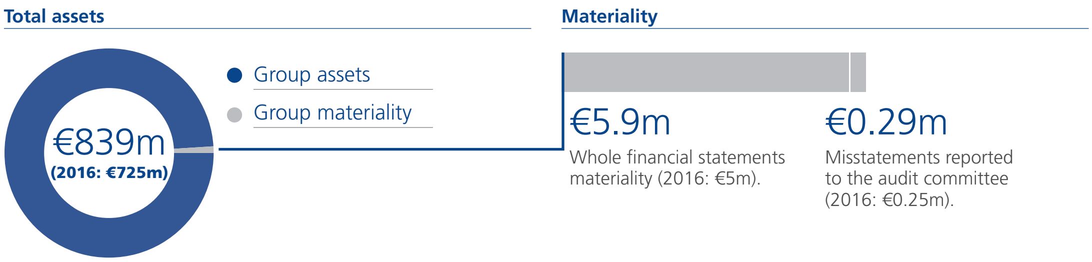
We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding €0.29m, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our assessment of materiality has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.

The Group team performed the audit of the Group as if it was a single aggregated set of financial information. The audit was performed using the materiality level set out above and covered 100% of total Group revenue, Group profit before tax, total Group assets, and total Group liabilities.

Whilst the audit process is designed to provide reasonable assurance of identifying material misstatements or omissions it is not guaranteed to do so. Rather we plan the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant depth of work on a broad range of assets, liabilities, income and expense as well as devoting significant time of the most experienced members of the audit team, in particular the Responsible Individual, to subjective areas of the accounting and reporting process.

The Group team performed the audit of the Group as if it was a single aggregated set of financial information. The audit was performed using the materiality level set out above and covered 100% of total Group revenue, Group profit before tax, and total Group assets.



4. We have nothing to report on the disclosures of principal risks

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

- the Directors' viability statement on page 38, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the group's continuing in operation over the 3 years to March 2020; or
- the disclosures in note 1 of the financial statements concerning the use of the going concern basis of accounting.

5. We have nothing to report in respect of the matters on which we are required to report by exception

Under International Standards on Auditing ("ISAs") (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy; or
- the Audit Committee Report does not appropriately address matters communicated by us to the audit committee.

Under the Companies (Guernsey) Law, 2008, we are required 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 beliefs are necessary for the purposes of our audit.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement on page 42 relating to the company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

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

Scope and responsibilities

6. The purpose of this report and restrictions on its use by persons other than the Company's members as a body

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008 and, in respect of any further matters on which we have agreed to report, on terms we have agreed with the Company. 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.

7. Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 64, 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 ISAs (UK and Ireland). Those standards require us to comply with the UK Ethical Standards for Auditors.

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Deborah J Smith
for and on behalf of KPMG Channel Islands Limited
Chartered Accountants and Recognised Auditors
Glategny Court, Glategny Esplanade, St Peters Port, Guernsey, GY1 1WR
23 June 2017

Consolidated statement of comprehensive income
for the year ended 31 March 2017

	Notes	Year ended 31 March 2017 €000	Year ended 31 March 2016 €000
Rental income	5	**68,793**	55,790
Direct costs	6	**(8,267)**	(6,212)
Net operating income		**60,526**	49,578
Surplus on revaluation of investment properties	13	**49,782**	44,168
Gain on disposal of properties	6	**79**	—
Administrative expenses	6	**(23,883)**	(17,310)
Operating profit		**86,504**	76,436
Finance income	9	**23**	45
Finance expense	9	**(10,224)**	(18,930)
Change in fair value of derivative financial instruments		**133**	(476)
Net finance costs		**(10,068)**	(19,361)
Profit before tax		**76,436**	57,076
Taxation	10	**(9,500)**	(2,388)
Profit for the year		**66,936**	54,688
Profit attributable to:			
Owners of the Company		**66,911**	54,671
Non-controlling interest		**25**	17
Total comprehensive income for the year		**66,936**	54,688
Earnings per share			
Basic earnings per share	11	**8.13c**	7.51c
Diluted earnings per share	11	**7.90c**	7.13c
Basic EPRA earnings per share	11	**3.18c**	1.88c

The notes on pages 75 to 104 form an integral part of these financial statements.

Consolidated statement of financial position
as at 31 March 2017

	Notes	31 March 2017 €000	31 March 2016 €000
Non-current assets			
Investment properties	13	**727,295**	687,453
Plant and equipment	15	**2,564**	1,943
Goodwill	16	**3,738**	3,738
Deferred tax assets	10	**240**	183
Total non-current assets		**733,837**	693,317
Current assets			
Trade and other receivables	17	**14,290**	11,936
Derivative financial instruments		**—**	19
Cash and cash equivalents	18	**48,695**	19,874
Investment property held for sale	14	**96,000**	—
Total current assets		**158,985**	31,829
Total assets		**892,822**	725,146
Current liabilities			
Trade and other payables	19	**(33,963)**	(29,541)
Interest-bearing loans and borrowings	20	**(7,068)**	(5,642)
Current tax liabilities		**(465)**	(170)
Derivative financial instruments		**(7)**	(715)
Total current liabilities		**(41,503)**	(36,068)
Non-current liabilities			
Interest-bearing loans and borrowings	20	**(334,724)**	(288,348)
Derivative financial instruments		**(334)**	(1,875)
Deferred tax liabilities	10	**(20,993)**	(11,747)
Total non-current liabilities		**(356,051)**	(301,970)
Total liabilities		**(397,554)**	(338,038)
Net assets		**495,268**	387,108
Equity			
Issued share capital	23	**—**	—
Other distributable reserve	24	**470,318**	429,094
Retained earnings		**24,869**	(42,042)
Total equity attributable to the equity holders of the Company		**495,187**	387,052
Non-controlling interests		**81**	56
Total equity		**495,268**	387,108
EPRA net asset value per share	12	**57.84c**	52.72c

The notes on pages 75 to 104 form an integral part of these financial statements.

The financial statements on pages 71 to 74 were approved by the Board of Directors on 23 June 2017 and were signed on its behalf by:

James Peggie

James Peggie
Senior Independent Director

Company number: 46442

Consolidated statement of changes in equity
for the year ended 31 March 2017

	Issued share capital €000	Other distributable reserve €000	Retained earnings €000	Total equity attributable to the equity holders of the Company €000	Non-controlling interests €000	Total equity €000
As at 31 March 2015	—	384,937	(96,713)	288,224	39	288,263
Shares issued, net of costs	—	48,375	—	48,375	—	48,375
Share-based payment transactions	—	3,127	—	3,127	—	3,127
Dividends paid	—	(7,345)	—	(7,345)	—	(7,345)
Total comprehensive income for the year	—	—	54,671	54,671	17	54,688
As at 31 March 2016	—	429,094	(42,042)	387,052	56	387,108
Shares issued, net of costs	—	43,620	—	43,620	—	43,620
Share-based payment transactions	—	4,289	—	4,289	—	4,289
Conversion of shareholder loan	—	5,000	—	5,000	—	5,000
Dividends paid	—	(11,685)	—	(11,685)	—	(11,685)
Total comprehensive income for the year	—	—	66,911	66,911	25	66,936
As at 31 March 2017	**—**	**470,318**	**24,869**	**495,187**	**81**	**495,268**

The notes on pages 75 to 104 form an integral part of these financial statements.

Consolidated statement of cash flows
for the year ended 31 March 2017

	Notes	Year ended 31 March 2017 €000	Year ended 31 March 2016 €000
Operating activities			
Profit after tax		**66,911**	54,671
Taxation		**9,500**	2,388
Non-controlling interests		**25**	17
Gain on sale of properties		**(79)**	—
Share-based payments		**4,290**	1,538
Surplus on revaluation of investment properties	12	**(49,782)**	(44,168)
Change in fair value of derivative financial instruments		**(133)**	476
Depreciation	6	**868**	634
Finance income	9	**(23)**	(45)
Finance expense	9	**9,795**	12,888
Exit fees/prepayment penalties	9	**428**	5,929
Cash flows from operations before changes in working capital		**41,800**	34,328
Changes in working capital			
Decrease/(increase) in trade and other receivables		**4,984**	(356)
Increase in trade and other payables		**3,168**	3,707
Taxation (paid)/received		**(17)**	168
Cash flows from operating activities		**49,935**	37,847
Investing activities			
Purchase of investment properties		**(76,265)**	(82,716)
Prepayments relating to new acquisitions		**(6,547)**	(2,147)
Capital expenditure		**(16,540)**	(14,391)
Purchase of plant and equipment		**(1,523)**	(821)
Net proceeds on disposal of properties		**7,201**	—
Interest received		**23**	45
Cash flows used in investing activities		**(93,651)**	(100,030)
Financing activities			
Issue of shares		**43,620**	48,873
Dividends paid		**(11,685)**	(7,345)
Proceeds from loans		**211,500**	99,088
Repayment of loans		**(159,077)**	(60,383)
Exit fees/prepayment penalties		**(428)**	(5,929)
Finance charges paid		**(11,393)**	(12,384)
Cash flows from financing activities		**72,537**	61,920
Increase/(decrease) in cash and cash equivalents		**28,821**	(263)
Cash and cash equivalents at the beginning of the period		**19,874**	20,137
Cash and cash equivalents at the end of the period	18	**48,695**	19,874

The notes on pages 75 to 104 form an integral part of these financial statements.

Notes to the financial statements
for the year ended 31 March 2017

1. General information
Sirius Real Estate Limited (the "Company") is a company incorporated in Guernsey and resident in the United Kingdom, whose shares are publicly traded on the main markets of the London Stock Exchange ("LSE") (primary listing) and the Johannesburg Stock Exchange ("JSE") (secondary listing).

The consolidated financial information of the Company comprises that of the Company and its subsidiaries (together referred to as the "Group") for the year ended 31 March 2017.

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

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

As at the reporting date, the Company has elected to present consolidated financial statements in a manner which makes them more comparable with similar businesses. As a result, the consolidated statement of comprehensive income for the year ended 31 March 2016 has been re-presented. The impact on total comprehensive income for the comparative period is €nil as shown in the table below:

	Previously reported year ended 31 March 2016 €000	Re-presented year ended 31 March 2016 €000
Rental income	55,790	55,790
Direct costs	(15,832)	(6,212)
Net rental income/net operating income	39,958	49,578
Surplus on revaluation of investment properties	44,168	44,168
Gain on disposal of properties	—	—
Administrative expenses	(5,603)	(17,310)
Other operating expenses	(2,199)	—
Operating profit	76,324	76,436
Finance income	45	45
Finance expense	(18,817)	(18,930)
Change in fair value of derivative financial instruments	(476)	(476)
Net finance costs	(19,248)	(19,361)
Profit before tax	57,076	57,076
Taxation	(2,388)	(2,388)
Profit for the year	54,688	54,688
Profit attributable to:		
Owners of the Company	54,671	54,671
Non-controlling interest	17	17
Total comprehensive income for the year	54,688	54,688

(b) Statement of compliance
The consolidated financial information has been prepared in accordance with the requirements of the Listing Rules of the UK Listing Authority, and in accordance with IFRS adopted for use in the EU ("Adopted IFRS") 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.

(c) Going concern
Having reviewed the Group's current trading and cash flow forecasts, together with sensitivities and mitigating factors and the available facilities, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board continued to adopt the going concern basis in preparing the historical financial information.

Notes to the financial statements continued
for the year ended 31 March 2017

2. Significant accounting policies continued
(d) Basis of consolidation
The consolidated financial information comprises the financial information of the Group as at 31 March 2017. The financial information of the subsidiaries is prepared for the same reporting period as the 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 the Company's shareholders' equity.

(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 information is presented in euros, which is the functional and presentational currency of all members of the Group.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the exchange rate 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 material leases only. 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 is spread on a straight-line basis over the term of material leases only. Where there is a reasonable expectation that the tenant will exercise break options, the value of rent free periods and all similar lease incentives is booked up to the break date.

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

Service charges
Service charge income receivable is not treated as revenue; rather, it is set off against the direct 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.

Certain subsidiaries may be subject to foreign taxes in respect of foreign sources of income. Sirius Real Estate Limited is UK resident for tax purposes.

2. Significant accounting policies continued

(i) Income tax continued

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 in 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 when ownership of the property is transferred. Where recognition criteria are met the carrying amount includes subsequent costs to add to or replace part of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date.

Investment properties are derecognised when the risks and rewards of ownership of the asset are transferred to a third party.

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

The fair value of the Group's investment properties at 31 March 2017 has been arrived at on the basis of a valuation carried out at that date by Cushman & Wakefield LLP (2016: Cushman & Wakefield LLP), an independent valuer. The valuations are in accordance with standards complying with the Royal Institute of Chartered Surveyors' ("RICS's") approval and the conceptual framework that has been settled by the International Valuation Standards Committee.

The valuation is based upon assumptions including future rental income, anticipated non-recoverable and maintenance costs, expected capital expenditure and an 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 capitalisation rate is applied to the more uncertain future income, discounted to present value.

Directors can make discretionary impairments of non-core assets when strong evidence exists to support an adjustment. In such circumstances the Audit Committee performs a review and satisfies itself the impairment can be fully substantiated and appropriately supported before a write-down is recognised in the Company's books and records.

(l) Disposals of investment property

Investment property disposals are recognised in the financial information on the date of completion. Profit or loss arising on disposal of investment properties is calculated by reference to the most recent carrying value of the asset adjusted for subsequent capital expenditure.

Notes to the financial statements continued
for the year ended 31 March 2017

2. Significant accounting policies continued

(m) Investment properties held for sale

Investment properties held for sale are separately disclosed at the asset's fair value as determined by the notarised sales price. Expected selling costs are accrued within administrative expenses. In order for an investment property held for sale to be recognised, the following conditions must be met:

» the asset must be available for immediate sale in its present condition and location;

» the asset is being actively marketed;

» the asset's sale is expected to be completed within twelve months of classification as held for sale;

» there must be no expectation that the plan for selling the asset will be withdrawn or changed significantly; and

» the successful sale of the asset must be highly probable.

(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

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 annually for impairment, or more frequently when there is an indication that the business to which the goodwill applies may be impaired.

(p) Trade receivables

Trade receivables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

(q) 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.

(r) Share-based payments

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

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

(s) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in 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.

2. Significant accounting policies continued

(t) 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.

(u) Trade payables

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

(v) Equity instruments

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

(w) Dividends

Dividend distributions to the Company's shareholders are recognised as a liability in the consolidated financial information in the period in which the dividends are approved by the Company's Board. The final dividend relating to the year ended 31 March 2017 will be approved and recognised in the financial year ended 31 March 2018.

(x) Impairment excluding investment properties

(i) Financial assets

A financial asset (excluding financial assets at fair value through profit and loss) 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;

» excessive or persistent debtor ageing;

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

» 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 profit or loss of 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 profit or loss of 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 cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss of the statement of comprehensive income. Impairment losses recognised in profit or loss of 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 (or group of units) on a pro rata basis.

Notes to the financial statements continued
for the year ended 31 March 2017

2. Significant accounting policies continued

(y) Compound financial instruments

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

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

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

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

(z) Standards effective in the period

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

» Annual Improvements to IFRSs 2012–2014 Cycle.

The adoption of this has not had any significant impact on the amounts reported in the Group financial information.

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

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

IFRS 15 'Revenue from Contracts with Customers' – In 2016, the IASB amended the standard to clarify application issues identified by stakeholders. The clarifications relate principally to identifying performance obligations, accounting for licences of intellectual property and agent vs principal considerations. A five step model will be applied to determine when to recognise revenue, and at what amount. Depending on whether certain criteria are met, revenue is recognised either over time, in a manner that best reflects the Group's performance, or at a point in time when control of the goods or services is transferred to the customer. The new standard requires both qualitative and quantitative disclosures detailing: contracts with customers, significant judgements and assets recognised from the costs to obtain or fulfil a contract with a customer. IFRS 15 will not be effective before 1 January 2018; however, early adoption is permitted. The Group may choose to adopt the new standard either retrospectively or through a cumulative effect adjustment as of the start of the first period for which it applies the new standard. The Group has yet to assess IFRS 15's full impact, and a full analysis will be included in the March 2018 accounts.

IFRS 16 'Leases' – In 2016, the IASB introduced a new leases standard, with the accounting treatment of leases by lessees fundamentally changing. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. As a result of the amendments, lessees will appear to become more asset rich but also more heavily indebted. Impacts are not limited to the balance sheet. There are also changes in accounting over the life of the lease. In particular, companies will now recognise a front-loaded pattern of expense for most leases, even when they pay annual rents. Lessor accounting will remain similar to current practice, with lessors classifying leases as finance and operating leases. IFRS 16 will not be effective before 1 January 2019. The Group has yet to assess IFRS 16's full impact, and a full analysis will be included in the March 2018 accounts.

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 information:

Operating lease commitments – Group as lessor

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

Estimates and assumptions

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

Valuation of investment properties

The fair value of the Group's investment properties, excluding those held for sale of €735.3 million (31 March 2016: €695.2 million), was determined by Cushman & Wakefield LLP (2016: Cushman & Wakefield LLP), an independent valuer. After adjusting investment properties for lease incentive accounting and Directors' discretionary impairments of non-core assets described below, the book value of investment properties is shown as €727.3 million (31 March 2016: €687.5 million).

The Cushman & Wakefield LLP valuation is based upon assumptions including future rental income, anticipated maintenance costs and an 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 capitalisation rate is applied to the more uncertain future income, discounted to a present value.

The Directors also perform a review of the Cushman & Wakefield LLP valuation taking into consideration factors or information which may or may not have been factored into the Cushman & Wakefield LLP valuation. As a result of this review Directors have included an investment property write-down amounting to €4,968,000 relating to non-core assets in the year under review. See note 13 for further details.

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.

Service charge

Service charge expenses are based on actual costs incurred and invoiced together with an estimate of costs which have been incurred at 31 March but are yet to be invoiced. The estimates are based on expected consumption rates and historical trends and take into account market conditions at the time of recording.

Service charge income is based on service charge expense and takes into account recovery rates which are largely derived from estimated occupancy levels.

Deferred tax

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

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

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 are determined by key management judgements in terms of:

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

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

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

Notes to the financial statements continued
for the year ended 31 March 2017

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

Long Term Incentive Plan ("LTIP")

A new LTIP scheme for the benefit of the Executive Directors and the Senior Management Team was approved in October 2015. The fair value of the LTIP as determined at the grant date is expensed on a straight-line basis over the vesting and holding period, based on the Company's estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

Assumptions considered in the valuation of the LTIP include: expected volatility of the Company's share price, as determined by calculating the historical volatility of the Company's share price over the historical period immediately prior to the date of grant and commensurate with the expected life of the awards; dividend yield based on the actual dividend yield as a percentage of the share price at the date of grant; expected life of the awards; risk free rates; and correlation between comparators.

4. Operating segments
The Directors are of the opinion that the Group is engaged in a single segment of business, being property investment, and in one geographical area, Germany. All rental income is derived from operations in Germany. There is no one tenant that represents more than 10% of Group revenues. The chief operating decision maker is considered to be the Board of Directors, which is provided with consolidated IFRS information on a quarterly basis.

5. Revenue

	Year ended 31 March 2017 €000	Year ended 31 March 2016 €000
Rental and other income from investment properties	**68,793**	55,790

Other income relates primarily to income associated with conferencing and catering.

6. Operating profit
The following items have been (credited)/charged in arriving at operating profit:

Direct costs

	Year ended 31 March 2017 €000	Re-presented year ended 31 March 2016 €000
Service charge income	**(40,976)**	(36,730)
Property costs	**47,563**	41,848
Non-recoverable maintenance	**1,680**	1,094
Irrecoverable costs	**8,267**	6,212

Gain on disposal of properties

Included within gain on disposal of €79,000 (2016: €nil) are total proceeds of €7,370,000 (2016: €nil) and costs of €7,291,000 (2016: €nil). The gross gain on properties sold amounted to €651,000 (2016: €nil) and gross loss on properties sold amounted to €572,000 (2016: €nil).

Administrative expenses

	Year ended 31 March 2017 €000	Re-presented year ended 31 March 2016 €000
Audit fee	**293**	535
Legal and professional fees	**2,128**	1,661
Other administration costs	**2,368**	2,545
LTIP	**4,136**	1,452
Staff costs	**9,305**	8,567
Director fees	**241**	170
Depreciation	**868**	634
Marketing	**1,584**	1,281
Selling costs relating to assets held for sale	**551**	—
Non-recurring items	**2,409**	465
Administrative expenses	**23,883**	17,310

6. Operating profit continued

Administrative expenses continued

During the year fees of €500,000 (2016: €20,000) were paid to auditors and their associates in respect of other non-audit services including those relating to the listing on the main markets of the London and Johannesburg stock exchanges referred to below.

Non-recurring items relate primarily to costs associated with the listing on the main markets of both the London and Johannesburg stock exchanges including sponsor, valuation, corporate finance, legal and other professional fees.

Staff costs as stated above relate to costs which are not recovered through service charge.

7. Employee costs and numbers

	Year ended 31 March 2017 €000	Year ended 31 March 2016 €000
Wages and salaries	**13,970**	11,301
Social security costs	**2,544**	2,057
Pension	**174**	213
Other employment costs	**215**	58
	16,903	13,629

The costs for the year ended 31 March 2017 include those relating to Executive Directors and an expense of €4,136,000 (31 March 2016: €1,452,000) relating to the granting or award of shares under LTIPs (see note 8).

All employees are employed directly by one of the following Group subsidiary companies: Sirius Facilities GmbH, Sirius Facilities (UK) Limited, Curris Facilities & Utilities Management GmbH, SFG NOVA GmbH and Sirius Corporate Services B.V. The average number of people employed by the Group during the year was 204 (31 March 2016: 182), expressed in full-time equivalents. In addition, the Board of Directors consists of five Non-executive Directors (31 March 2016: three) and two Executive Directors (31 March 2016: two) as at 31 March 2017.

8. Equity-settled share-based payments

A new LTIP for the benefit of the Executive Directors and the Senior Management Team was approved in October 2015. The fair value determined at the grant date is expensed on a straight-line basis over the vesting and holding period, based on the Company's estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. Under the LTIP, the awards are granted in the form of whole shares at no cost to the participants. Shares vest after the three year performance period followed by a holding period of twelve months. The performance conditions used to determine the vesting of the award are based on net asset value and total shareholder return allowing vesting of 0% to a maximum of 125%. As a result, a maximum of 25,150,000 shares were granted, subject to performance criteria, under the scheme in December 2015 and an expense of €1,452,000 was recognised in the consolidated statement of comprehensive income to 31 March 2016.

A total of 1,300,000 shares were forfeited in the year to 31 March 2017. An expense of €4,136,000 was recognised in the statement of comprehensive income to 31 March 2017.

Movements in the number of shares outstanding and their weighted average exercise prices are as follows:

	Year ended 31 March 2017		Year ended 31 March 2016	
	Number of shares	**Weighted average exercise price €**	Number of shares	Weighted average exercise price €
Balance outstanding as at the beginning of the period (nil exercisable)	**25,150,000**	**—**	—	—
Maximum granted during the period	**—**	**—**	25,150,000	—
Forfeited during the period	**(1,300,000)**	**—**	—	—
Exercised during the period	**—**	**—**	—	—
Balance outstanding as at the end of the period (nil exercisable)	**23,850,000**	**—**	25,150,000	—

Notes to the financial statements continued
for the year ended 31 March 2017

8. Equity-settled share-based payments continued

The fair value per share was determined using the Monte Carlo model, with the following assumptions used in the calculation as at grant date:

Weighted average share price – €	0.52
Weighted average exercise price – €	—
Expected volatility – %	20
Expected life – years	2.48
Risk free rate based on European treasury bonds' rate of return – %	(0.11)
Expected dividend yield – %	3.41

Assumptions considered in the model include: expected volatility of the Company's share price, as determined by calculating the historical volatility of the Company's share price over the historical period immediately prior to the date of grant and commensurate with the expected life of the awards; dividend yield based on the actual dividend yield as a percentage of the share price at the date of grant; expected life of the awards; risk free rates; and correlation between comparators.

Employee benefit scheme

The original LTIP for the benefit of the Executive Directors and the Senior Management Team expired at the end of March 2015. As a result, a total of 3,471,200 ordinary shares were issued during the financial year to 31 March 2016.

During the period 313,608 shares were issued to the Company's management through its MSP programme (31 March 2016: 134,918).

A reconciliation of share-based payments and their impact on the consolidated statement of changes in equity is as follows:

	Year ended 31 March 2017 €000	Year ended 31 March 2016 €000
Charge relating to original LTIP	**—**	1,625
Charge relating to share matching	**153**	50
Charge relating to new LTIP	**4,136**	1,452
Share-based payment transactions as per consolidated statement of changes in equity	**4,289**	3,127

9. Finance income and expense

	Year ended 31 March 2017 €000	Year ended 31 March 2016 €000
Loan interest income	**23**	45
Finance income	**23**	45
Loan interest expense	**(7,151)**	(9,945)
Bank charges	**(139)**	(113)
Amortisation of capitalised finance costs	**(1,172)**	(1,277)
Refinancing costs	**(1,762)**	(7,595)
Finance expense	**(10,224)**	(18,930)
Net finance expense	**(10,201)**	(18,885)

The refinancing costs on derecognition of loans for the year ended 31 March 2017 relate to the costs associated with the refinancing of the Berlin Hyp AG/Deutsche Pfandbriefbank AG facility with a new €137 million loan facility and the refinancing of the Berlin Hyp AG facility with a new €70 million loan facility. The refinancing costs on derecognition of loans in the year ended 31 March 2016 relate to the costs associated with the refinancing of the Macquarie loan facilities with the €59 million SEB AG loan facility.

10. Taxation

Consolidated statement of comprehensive income

	Year ended 31 March 2017 €000	Year ended 31 March 2016 €000
Current income tax		
Current income tax (charge)/credit	**(576)**	156
Adjustment in respect of prior periods	**264**	—
Total current income tax	**(312)**	156
Deferred tax		
Relating to origination and reversal of temporary differences	**(9,245)**	(2,727)
Relating to LTIP charge for the year	**57**	183
Total deferred tax	**(9,188)**	(2,544)
Income tax charge reported in the statement of comprehensive income	**(9,500)**	(2,388)

The current income tax charge of €312,000 (31 March 2016: tax credit of €156,000) reflects a release of tax accruals for prior years as well as the tax charge for the period. The effective income tax rate for the period differs from the standard rate of corporation tax in Germany of 15.825% (2016: 15.825%). The differences are explained below:

	Year ended 31 March 2017 €000	Year ended 31 March 2016 €000
Profit before tax	**76,436**	57,076
Profit before tax multiplied by the rate of corporation tax in Germany of 15.825% (2016: 15.825%)	**12,096**	9,032
Effects of:		
Deductible interest on internal financing	**(4,451)**	(5,467)
Non-deductible expenses	**567**	1,355
Tax losses utilised	**(1,200)**	(3,143)
Property valuation movements due to differences in accounting treatments	**2,657**	721
Adjustments in respect of prior periods	**(264)**	—
Other	**95**	(110)
Total income tax charge in the statement of comprehensive income	**9,500**	2,388

Deferred income tax liability

	Year ended 31 March 2017 €000	Year ended 31 March 2016 €000
Opening balance	**11,747**	9,020
Taxes on the revaluation of investment properties and derivative financial instruments*	**9,245**	2,727
Balance as at year end	**20,993**	11,747

* Movement refers to the revaluation of investment properties to fair value, the recognition of derivatives and adjustments for lease incentives (e.g. rent free periods).

Deferred income tax asset

	Year ended 31 March 2017 €000	Year ended 31 March 2016 €000
Opening balance	**(183)**	—
Relating to LTIP charge for the year	**(57)**	(183)
Closing balance	**(240)**	(183)

The Group has tax losses of €262,525,000 (2016: €235,682,000) that are available for offset against future profits of its subsidiaries in which the losses arose under the restrictions of the minimum taxation. 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. Deferred tax assets have been recognised in respect of the valuation of the Company LTIP.

Notes to the financial statements continued
for the year ended 31 March 2017

11. Earnings per share

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

	Year ended 31 March 2017 €000	Re-presented year ended 31 March 2016 €000
Earnings		
Basic earnings	**66,911**	54,671
Diluted earnings	**66,911**	54,921
EPRA earnings	**26,188**	13,722
Headline earnings	**26,318**	13,832
Diluted headline earnings	**26,318**	13,832
Adjusted		
Basic earnings after tax	**66,911**	54,671
Deduct revaluation surplus, net of related tax	**(40,514)**	(41,089)
Deduct gain on sale of properties, net of related tax	**(79)**	—
Headline earnings after tax	**26,318**	13,582
(Deduct)/add change in fair value of derivative financial instruments, net of related tax	**(156)**	124
Add adjusting items, net of related tax*	**8,801**	9,329
Adjusted earnings after tax	**34,963**	23,035
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and EPRA basic earnings per share	**822,957,685**	728,152,740
Weighted average number of ordinary shares for the purpose of diluted and EPRA diluted earnings per share	**846,807,685**	770,534,539
Weighted average number of ordinary shares for the purpose of adjusted earnings per share	**822,957,685**	728,152,740
Basic earnings per share	**8.13c**	7.51c
Diluted earnings per share	**7.90c**	7.13c
Basic EPRA earnings per share	**3.18c**	1.88c
Diluted EPRA earnings per share	**3.09c**	1.78c
Headline earnings per share	**3.20c**	1.87c
Diluted headline earnings per share	**3.11c**	1.80c
Adjusted earnings per share	**4.25c**	3.16c
Adjusted diluted earnings per share	**4.13c**	2.99c
EPRA earnings		
Basic and diluted earnings attributable to owners of the Company	**66,911**	54,671
Basic and diluted earnings attributable to non-controlling interest	**25**	17
Basic and diluted earnings attributable to owners of the Company and non-controlling interests	**66,936**	54,688
Surplus on revaluation of investment properties	**(49,782)**	(44,168)
Gain on disposal of properties	**(79)**	—
Change in fair value of derivative financial instruments	**(133)**	476
Deferred tax in respect of EPRA adjustments	**9,246**	2,726
EPRA earnings	**26,188**	13,722

* Adjusting items as stated within earnings per share can be reconciled with those stated within administrative expenses in note 6 as follows:

11. Earnings per share continued

	Year ended 31 March 2017 €000	Year ended 31 March 2016 €000
Non-recurring items as per note 6	**2,409**	465
Finance restructuring costs	**1,762**	7,595
Selling costs relating to assets held for sale	**551**	—
LTIP	**4,136**	1,452
Change in deferred tax assets	**(57)**	(183)
Adjusting items as per note 11	**8,801**	9,329

The number of shares has been reduced by 1,062,058 shares (2016: 1,375,666 shares) that are held by the Company as Treasury Shares at 31 March 2017, for the calculation of basic, headline, adjusted and diluted earnings per share.

The weighted average number of shares for the purpose of diluted and EPRA diluted earnings per share is calculated as follows:

	2017 €000	2016 €000
Weighted average number of ordinary shares for the purpose of basic, EPRA basic and adjusted earnings per share	**822,957,685**	728,152,740
Effect of conversion of convertible shareholder loan	**—**	22,261,799
Effect of grant of LTIP shares	**23,850,000**	20,120,000
Weighted average number of ordinary shares for the purpose of diluted and EPRA diluted earnings per share	**846,807,685**	770,534,539

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

12. Net assets per share

	31 March 2017 €000	Re-presented 31 March 2016 €000
Net assets		
Net assets for the purpose of assets per share (assets attributable to the equity holders of the Company)	**495,187**	387,052
Deferred tax arising on revaluation surplus and LTIP valuation	**20,753**	11,564
Derivative financial instruments	**341**	2,571
Adjusted net assets attributable to equity holders of the Company	**516,281**	401,187
Number of shares		
Number of ordinary shares for the purpose of net assets per share	**877,786,535**	751,984,887
Number of ordinary shares for the purpose of diluted EPRA net assets per share	**901,636,535**	772,104,887
Net assets per share	**56.41c**	51.47c
Adjusted net assets per share	**58.82c**	53.35c
EPRA net assets per share	**57.84c**	52.72c
Net assets at the end of the year (basic)	**495,187**	387,052
Revaluation of investment properties (if IAS 40 cost option is used)	**4,968**	5,639
Derivative financial instruments at fair value	**341**	2,590
Deferred tax in respect of EPRA adjustments	**20,993**	11,747
EPRA net assets	**521,489**	407,028

The number of shares has been reduced by 1,062,058 shares (2016: 1,375,666 shares) that are held by the Company as Treasury Shares at 31 March 2017, for the calculation of net assets and adjusted net assets per share.

Notes to the financial statements continued
for the year ended 31 March 2017

13. Investment properties

Most of the Group's properties are pledged as security for loans obtained by the Group. See note 19 for details.

The movement in the book value of investment properties is as follows:

	2017 €000	2016 €000
Total investment properties at book value as at 1 April	**687,453**	545,626
Additions	**76,265**	82,716
Capital expenditure	**16,493**	14,943
Disposals	**(6,698)**	—
Reclassified as investment properties held for sale not included in valuation	**(96,000)**	—
Surplus on revaluation above capex	**50,040**	47,501
Adjustment in respect of lease incentives	**(600)**	(423)
Movement in Directors' discretionary impairment of non-core assets	**342**	(2,910)
Total investment properties at book value as at 31 March	**727,295**	687,453

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

	2017 €000	2016 €000
Investment properties at market value per valuer's report*	**735,290**	695,190
Adjustment in respect of lease incentives	**(3,027)**	(2,427)
Directors' discretionary impairment of non-core assets	**(4,968)**	(5,310)
Balance as at year end	**727,295**	687,453

* Excluding assets held for sale.

The fair value (market value) of the Group's investment properties at 31 March 2017 has been arrived at on the basis of a valuation carried out at that date by Cushman & Wakefield LLP (2016: Cushman & Wakefield LLP), an independent valuer.

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

As at 31 March 2017 a Director's discretionary impairment of €4,968,000 has been recognised in relation to one non-core asset that management considers to be impaired based on challenging market conditions specific to the location where the asset is situated. All previously recognised impairments have been utilised in the period.

The weighted average lease expiry remaining across the whole portfolio at 31 March 2017 was 2.5 years (2016: 2.6 years).

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

The reconciliation of surplus on revaluation above capex as per the statement of comprehensive income is as follows:

	2017 €000	2016 €000
Surplus on revaluation above capex	**50,040**	47,501
Adjustment in respect of lease incentives	**(600)**	(423)
Movement in Directors' discretionary impairment of non-core assets	**342**	(2,910)
Surplus on revaluation of investment properties reported in the statement of comprehensive income	**49,782**	44,168

Included in the surplus on revaluation of investment properties reported in the statement of comprehensive income are gross gains of €57,900,000 and gross losses of €8,116,000.

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

13. Investment properties continued

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

As at 31 March 2017

Sector	Market value (€)	Technique	Significant assumption	Range
Business park	711,320,000	Discounted cash flow	Current rental income	€288k–€5,655k
			Market rental income	€424k–€6,035k
			Gross initial yield	3.8%–15.6%
			Discount factor	4.75%–12.0%
			Void period (months)	12–24
			Estimated capital value per sqm	€67–€1,261
Other	23,970,000	Discounted cash flow	Current rental income	€398k–€1,905k
			Market rental income	€466k–€2,119k
			Gross initial yield	3.8%–10.1%
			Discount factor	6.3%–9.5%
			Void period (months)	12–24
			Estimated capital value per sqm	€597–€941

As at 31 March 2016

Sector	Market value (€)	Technique	Significant assumption	Range
Business park	674,860,000	Discounted cash flow	Current rental income	€324k–€5,309k
			Market rental income	€424k–€6,034k
			Gross initial yield	4.6%–15.7%
			Discount factor	5.5%–12.0%
			Void period (months)	12–24
			Estimated capital value per sqm	€67–€1,318
Other	20,330,000	Discounted cash flow	Current rental income	€422k–€740k
			Market rental income	€466k–€884k
			Gross initial yield	7.4%–8.7%
			Discount factor	6.5%–7.8%
			Void period (months)	12–24
			Estimated capital value per sqm	€537–€806

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

As a result of the level of judgement used in arriving at the market valuations, the amounts which may ultimately be realised in respect of any given property may differ from the valuations shown in the statement of financial position. For example, an increase in market rental values of 5% would lead to an increase in the fair value of the investment properties of €37,980,000 and a decrease in market rental values of 5% would lead to a decrease in the fair value of the investment properties of €37,770,000. Similarly, an increase in the discount rates of 0.25% would lead to a decrease in the fair value of the investment properties of €14,730,000 and a decrease in the discount rates of 0.25% would lead to an increase in the fair value of the investment properties of €15,040,000.

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

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14. Investment properties held for sale

	31 March 2017 €000	31 March 2016 €000
Munich Rupert Mayer Strasse	85,000	—
Düsseldorf	11,000	—
Balance as at period end	**96,000**	—

Investment properties held for sale at 31 March 2017 is €96.0 million (31 March 2016: €nil), representing assets that were notarised for sale in the period. A gain of €8.9 million, representing the difference between the notarised sale prices and market valuation as at 30 September 2016 as performed by Cushman & Wakefield LLP, is accounted for within surplus on revaluation of investment properties in the consolidated statement of comprehensive income and expected selling costs amounting to €551,000 are included within administrative expenses. The total net gain on sale after tax is expected to be €6.4 million.

See note 30 for details of the completion of these two notarised disposals.

15. Plant and equipment

	Plant and equipment €000	Fixtures and fittings €000	Total €000
Cost			
As at 31 March 2016	4,879	2,542	7,421
Additions in year	1,173	350	1,523
Disposals in year	(39)	(66)	(105)
As at 31 March 2017	**6,013**	**2,826**	**8,839**
Depreciation			
As at 31 March 2016	(3,934)	(1,544)	(5,478)
Charge for year	(607)	(261)	(868)
Disposals in year	21	50	71
As at 31 March 2017	**(4,520)**	**(1,755)**	**(6,275)**
Net book value as at 31 March 2017	**1,493**	**1,071**	**2,564**
Cost			
As at 31 March 2015	4,501	2,021	6,522
Additions in year	378	522	900
Disposals in year	—	(1)	(1)
As at 31 March 2016	4,879	2,542	7,421
Depreciation			
As at 31 March 2015	(3,505)	(1,339)	(4,844)
Charge for year	(429)	(205)	(634)
Disposals in year	—	—	—
As at 31 March 2016	(3,934)	(1,544)	(5,478)
Net book value as at 31 March 2016	945	998	1,943

16. Goodwill

	2017 €000	2016 €000
Opening balance	**3,738**	3,738
Additions	**—**	—
Impairment	**—**	—
Closing balance	**3,738**	3,738

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

Goodwill is tested at least annually for impairment and whenever there are indications that goodwill might be impaired. The recoverable amount of a cash-generating unit is based on its value in use. Value in use is the present value of the projected cash flows of the cash-generating unit. The key assumptions regarding the value-in-use calculations were budgeted growth in revenue and the discount rate applied. Budgeted profit margins were estimated based on actual performance over the past two financial years and expected market changes. The discount rate used is a pre-tax rate and reflects the risks specific to the real estate industry. The Group prepares cash flow forecasts based on the most recent financial budget approved by management, which covers a one year period. Cash flows beyond this period are extrapolated to a period of five years using a revenue growth rate of 2.0%, which is consistent with the long-term average growth rate for the real estate sector. A discount rate of 6.75% and terminal value of 4.75% was applied in the impairment review. A discount rate of 10.0% would be required for the carrying value of goodwill to be greater than the fair value. A negative revenue growth rate of 1.16% would be required for the carrying value of goodwill to be greater than the fair value.

17. Trade and other receivables

	2017 €000	2016 €000
Trade receivables	**2,837**	3,069
Other receivables	**4,470**	6,368
Prepayments	**6,983**	2,499
Balance as at year end	**14,290**	11,936

Other receivables include lease incentives of €3,269,000 (2016: €2,757,000).

Prepayments include costs totalling €6,547,000 (2016: €2,147,000) relating to the acquisition of two new sites that completed post period end (see note 30).

18. Cash and cash equivalents

	2017 €000	2016 €000
Cash at bank and in hand	**48,695**	19,874
Balance as at year end	**48,695**	19,874

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash as at 31 March 2017 is €48,695,000 (2016: €19,874,000).

As at 31 March 2017 €12,753,000 (2016: €10,858,000) of cash is held in blocked accounts. Of this, €6,933,000 (2016: €5,408,000) relates to deposits received from tenants. An amount of €16,000 (2016: €16,000) is cash held in escrow as requested by a supplier and €131,000 (2016: €131,000) is held in restricted accounts for office rent deposits. An amount of €2,850,000 (2016: €3,003,000) relates to amounts reserved for future bank loan interest and amortisation payments, pursuant to certain of the Group's banking facilities, and an amount of €2,823,000 (2016: €2,300,000) relates to amounts reserved for future capital expenditure.

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for the year ended 31 March 2017

19. Trade and other payables

	2017 €000	2016 €000
Trade payables	**5,865**	6,960
Accrued expenses	**12,206**	9,305
Accrued interest	**509**	530
Other payables	**15,383**	12,746
Balance as at year end	**33,963**	29,541

20. Interest-bearing loans and borrowings

	Effective interest rate %	Maturity	2017 €000	2016 €000
Current				
Deutsche Genossenschafts-Hypothekenbank AG				
– fixed rate facility	1.59	31 March 2021	**320**	320
Bayerische Landesbank				
– hedged floating rate facility	Hedged*	19 October 2020	**508**	508
SEB AG				
– fixed rate facility	1.84	1 September 2022	**1,180**	1,180
Berlin Hyp AG/Deutsche Pfandbriefbank AG				
– floating rate facility	Floating**	27 April 2023	**1,063**	1,437
– fixed rate facility	1.66	27 April 2023	**2,413**	1,437
Berlin Hyp AG				
– fixed rate facility	1.48	29 October 2023	**1,773**	756
K-Bonds I				
– fixed rate facility	6.00	31 July 2020	**1,000**	1,000
Capitalised finance charges on all loans			**(1,189)**	(996)
			7,068	5,642
Non-current				
Deutsche Genossenschafts-Hypothekenbank AG				
– fixed rate facility	1.59	31 March 2021	**14,360**	14,680
Bayerische Landesbank				
– hedged floating rate facility	Hedged*	19 October 2020	**24,113**	24,621
SEB AG				
– fixed rate facility	1.84	1 September 2022	**56,050**	57,230
Berlin Hyp AG/Deutsche Pfandbriefbank AG				
– floating rate facility	Floating	27 April 2023	**40,375**	53,763
– fixed rate facility	1.66	27 April 2023	**89,927**	53,763
Berlin Hyp AG				
– fixed rate facility	1.48	29 October 2023	**67,496**	34,344
K-Bonds I				
– fixed rate facility	4.00	31 July 2023	**45,000**	45,000
– fixed rate facility	6.00	31 July 2020	**3,000**	4,000
Convertible fixed rate facility	5.00	21 March 2018	**—**	5,000
Capitalised finance charges on all loans			**(5,597)**	(4,053)
			334,724	288,348
Total			**341,792**	293,990

* This facility is hedged with a swap charged at a rate of 1.66%.

** Tranche 2 of this facility is charged with a floating rate of 1.57% over three month EURIBOR (not less than 0%) for the full term of the loan.

20. Interest-bearing loans and borrowings continued

The borrowings are repayable as follows:

	2017 €000	2016 €000
On demand or within one year	**8,256**	6,639
In the second year	**8,323**	12,358
In the third to tenth years inclusive	**331,998**	280,042
Total	**348,577**	299,039

The Group has pledged 38 (2016: 33) investment properties to secure related interest-bearing debt facilities granted to the Group. The 38 (2016: 33) properties had a combined valuation of €774,120,000 as at 31 March 2017 (2016: €635,413,000).

Deutsche Genossenschafts-Hypothekenbank AG

On 24 March 2016, the Group agreed to a facility agreement with Deutsche Genossenschafts-Hypothekenbank AG for €16.0 million. As at 31 March 2017 tranche 1 had been drawn down in full totalling €15.0 million. The loan terminates on 31 March 2021. Amortisation is 2% p.a. with the remainder of the loan due in the fifth year. The facility is charged at a fixed interest rate of 1.59%. The facility is secured over one property asset and is subject to various covenants with which the Group has complied.

Bayerische Landesbank

On 20 October 2015, the Group agreed to a facility agreement with Bayerische Landesbank for €25.4 million. The loan terminates on 19 October 2020. Amortisation is 2% p.a. with the remainder due in the fourth year. The full facility has been hedged at a rate of 1.66% until 19 October 2020 by way of an interest rate swap. The facility is secured over four property assets and is subject to various covenants with which the Group has complied.

SEB AG

On 2 September 2015, the Group agreed to a facility agreement with SEB AG for €59.0 million to refinance the two existing Macquarie loan facilities. The loan terminates on 1 September 2022. Amortisation is 2% p.a. with the remainder due in the seventh year. The loan facility is charged at a fixed interest rate of 1.84%. This facility is secured over twelve of the 14 property assets previously financed through the Macquarie loan facilities, thereby two non-core assets were unencumbered in the refinancing process. The facility is subject to various covenants with which the Group has complied.

Berlin Hyp AG/Deutsche Pfandbriefbank AG

On 31 March 2014, the Group agreed to a facility agreement with Berlin Hyp AG and Deutsche Pfandbriefbank AG for €115.0 million. The loan terminates on 31 March 2019. Amortisation is 2% p.a. for the first two years, 2.5% for the third year and 3.0% thereafter, with the remainder due in the fifth year. Half of the facility (€55.2 million) is charged interest at 3% plus three months' EURIBOR and is capped at 4.5%, and the other half (€55.2 million) has been hedged at a rate of 4.265% until 31 March 2019. This facility is secured over nine property assets and is subject to various covenants with which the Group has complied. On 28 April 2016, the Group agreed to refinance this facility which had an outstanding balance of €110.4 million at 31 March 2016. The new facility is split in two tranches totalling €137.0 million and terminates on 27 April 2023. Tranche 1, totalling €94.5 million, is charged at a fixed interest rate of 1.66% for the full term of the loan. Tranche 2, totalling €42.5 million, is charged with a floating rate of 1.57% over three month EURIBOR (not less than 0%) for the full term of the loan. Amortisation is set at 2.5% across the full facility with the remainder due in one instalment on the final maturity date. The facility is secured over eleven property assets and is subject to various covenants with which the Group has complied.

Berlin Hyp AG

On 15 December 2014, the Group agreed to a facility agreement with Berlin Hyp AG for €36.0 million. The loan terminates on 31 December 2019. Amortisation is 2% p.a. for the first two years, 2.4% for the third year and 2.8% thereafter, with the remainder due in the fifth year. The facility is charged at a fixed interest rate of 2.85%. This facility is secured over three property assets and is subject to various covenants with which the Group has complied. On 28 April 2016, the Group agreed to add an additional tranche to this facility which had an outstanding balance of €35.1 million at 31 March 2016. The additional tranche of €4.5 million brings the total loan to €39.6 million. The maturity of the additional loan tranche is coterminous with the existing loan at 31 December 2019. Amortisation is 2.5% per annum, with the remainder due at maturity. The additional loan tranche is charged with a fixed interest rate of 1.32% for the full term of the loan. The original facility agreement was amended to include one previously unencumbered property asset located in Würselen. The terms of the original loan are unchanged and the loan continues to be subject to various covenants with which the Group has complied.

On 20 October 2016, the Group concluded an agreement with Berlin Hyp AG to refinance and extend this facility which had an outstanding balance of €39.2 million at 30 September 2016. The new facility totals €70.0 million and terminates on 29 October 2023. Amortisation is 2.5% per annum with the remainder due at maturity. The facility is charged with an all-in fixed interest rate of 1.48% for the full term of the loan. The facility is secured over six property assets which include the recent acquisitions in Dresden and Wiesbaden which were added to the security pool in order to increase the facility. The loan is subject to various covenants with which the Group has complied.

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20. Interest-bearing loans and borrowings continued

K-Bonds

On 1 August 2013, the Group agreed to a facility agreement with K-Bonds for €52.0 million. The loan consists of a senior tranche of €45.0 million and a junior tranche of €7.0 million. The senior tranche has a fixed interest rate of 4% p.a. and is due in one sum on 31 July 2023. The junior tranche has a fixed interest rate of 6% and terminates on 31 July 2020. The junior tranche is amortised at €1.0 million p.a. over a seven year period. This facility is secured over four properties and is subject to various covenants with which the Group has complied.

Convertible shareholder loan

On 22 March 2013, the Company issued €5.0 million convertible loan notes due in 2018 (the "Loan Notes"). The entire issue of €5.0 million was taken up by the Karoo Investment Fund S.C.A. SICAV-SIF and the Karoo Investment Fund II S.C.A. SICAV-SIF. The Loan Notes were issued at par and carried a coupon rate of 5% p.a. The majority of the proceeds from the issue of the Loan Notes were used to reduce debt levels.

On 23 June 2016, the Company announced that the Karoo Investment Fund S.C.A. SICAV-SIF served notice to convert this €5.0 million convertible loan notes due in 2018 in full into, in aggregate, 22,814,731 new ordinary shares at the conversion price of €0.22 per ordinary share.

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

	Outstanding at 31 March 2017 €000	Property values at 31 March 2017 €000	Loan to value ratio at 31 March 2017*	Loan to value covenant at 31 March 2017	Interest cover ratio at 31 March 2017**	Debt service cover ratio at 31 March 2017**	Cover ratio covenant at 31 March 2017
Deutsche Genossenschafts-Hypothekenbank AG	14,680	26,074	56.3%	68.0%	n/a	1.77	1.25
Bayerische Landesbank	24,621	54,151	45.5%	65.0%	n/a	3.49	2.50
SEB AG	57,230	127,383	44.9%	60.0%	6.93	n/a	5.20
Berlin Hyp AG/ Deutsche Pfandbriefbank AG	133,778	333,586	40.1%	65.0%	n/a	2.94	1.50
Berlin Hyp AG	69,269	134,647	51.4%	62.5%	n/a	2.82	1.40
K-Bonds I	49,000	98,280	49.9%	n/a	3.98	n/a	2.50
Unencumbered properties	—	49,174	n/a				
Total	348,578	823,295	42.3%				

* Based on Cushman & Wakefield LLP valuations.

** Based on contractual calculations which are often less representative of actual trading performance.

21. Financial risk management objectives and policies

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

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

Credit risk

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

21. 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:

	2017 €000	2016 €000
Trade receivables	**2,837**	3,069
Other receivables	**4,470**	6,368
Derivative financial instruments	**—**	19
Cash and cash equivalents	**48,695**	19,874
	56,002	29,330

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

	Gross 2017 €000	Impairment 2017 €000	Gross 2016 €000	Impairment 2016 €000
Past due 0–30 days	**2,784**	**(1,121)**	3,613	(1,422)
Past due 31–120 days	**1,267**	**(789)**	485	(334)
More than 120 days	**2,928**	**(2,232)**	3,303	(2,576)
	6,979	**(4,142)**	7,401	(4,332)

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

	2017 €000	2016 €000
Balance at 1 April	**(4,332)**	(3,743)
Impairment loss recognised/(released)	**190**	(589)
Balance at 31 March	**(4,142)**	(4,332)

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 €2,837,000 (2016: €3,069,000) that are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Liquidity risk

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

Notes to the financial statements continued
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21. 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 2017, based on contractual undiscounted payments:

Year ended 31 March 2017	Bank and shareholder loans €000	Derivative financial instruments €000	Trade and other payables €000	Total €000
Undiscounted amounts payable in:				
Six months or less	**(8,085)**	**(82)**	**(33,963)**	**(42,130)**
Six months to one year	**(7,048)**	**(82)**	**—**	**(7,130)**
One to two years	**(15,021)**	**(161)**	**—**	**(15,182)**
Two to five years	**(76,764)**	**(320)**	**—**	**(77,084)**
Five to ten years	**(279,706)**	**—**	**—**	**(279,706)**
	(386,624)	**(645)**	**(33,963)**	**(421,232)**
Interest	**38,046**	**645**	**—**	**38,691**
	(348,578)	**—**	**(33,963)**	**(382,541)**

Year ended 31 March 2016	Bank and shareholder loans €000	Derivative financial instruments €000	Trade and other payables €000	Total €000
Undiscounted amounts payable in:				
Six months or less	(8,357)	(435)	(29,541)	(38,333)
Six months to one year	(7,318)	(428)	—	(7,746)
One to two years	(21,153)	(840)	—	(21,993)
Two to five years	(198,257)	(1,015)	—	(199,272)
Five to ten years	(103,064)	—	—	(103,064)
	(338,149)	(2,718)	(29,541)	(370,408)
Interest	39,110	2,718	—	41,828
	(299,039)	—	(29,541)	(328,580)

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 and South African rand are held to ensure payments made in UK sterling and South African rand can be achieved at an effective rate.

Interest rate risk

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

A change in interest will only have an impact on the floating loans capped due to the fact that the other loans have a general fixed interest rate or they are effectively fixed by a swap. An increase in 100bps in interest rate would result in a decreased post tax profit in the consolidated statement of comprehensive income of €133,000 (excluding the movement on derivative financial instruments) and a decrease in 100bps in interest rate would result in an increased post tax profit in the consolidated statement of comprehensive income of €133,000 (excluding the movement on derivative financial instruments).

Market risk

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

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

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

21. Financial risk management objectives and policies continued

Market risk continued

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

Capital management

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

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

The Company holds 1,062,058 of its own shares which continue to be held as Treasury Shares. During the year to 31 March 2017 313,608 shares were issued from treasury and no shares were bought back.

The Group monitors capital using a gross debt to property assets ratio, which was 42.3% as at 31 March 2017 (2016: 42.8%).

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

22. Financial instruments

Fair values

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

	2017		2016	
	Carrying amount €000	Fair value €000	Carrying amount €000	Fair value €000
Financial assets				
Cash	**48,695**	**48,695**	19,874	19,874
Trade receivables	**2,837**	**2,837**	3,069	3,069
Derivative financial instruments	**—**	**—**	19	19
Financial liabilities				
Trade payables	**5,865**	**5,865**	6,960	6,960
Derivative financial instruments	**341**	**341**	2,590	2,590
Interest-bearing loans and borrowings:				
Floating rate borrowings	**41,438**	**41,438**	—	—
Floating rate borrowings – hedged*	**24,621**	**24,621**	80,329	80,329
Floating rate borrowings – capped*	**—**	**—**	55,200	55,200
Fixed rate borrowings	**282,519**	**288,288**	163,510	166,570

* The Group holds interest rate swap contracts and cap contracts designed to manage the interest rate and liquidity risks of expected cash flows of its borrowings with the variable rate facilities with Berlin Hyp AG/Deutsche Pfandbriefbank AG and Bayerische Landesbank. Please refer to note 20 for details of swap and cap contracts.

Fair value hierarchy

For financial assets or liabilities measured at amortised cost and whose carrying value is a reasonable approximation to fair value there is no requirement to analyse their value in the 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).

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22. Financial instruments continued

Fair value hierarchy continued

	Level 1 €000	Level 2 €000	Level 3 €000	Total €000
2017				
Derivative financial instruments	**—**	**(341)**	**—**	**(341)**
Fixed rate borrowings	**—**	**(288,288)**	**—**	**(288,288)**
Floating rate borrowings	**—**	**(66,059)**	**—**	**(66,059)**
2016				
Derivative financial instruments	—	(2,571)	—	(2,571)
Fixed rate borrowings	—	(166,570)	—	(166,570)
Floating rate borrowings	—	(135,529)	—	(135,529)

The interest rate swap contract is reset on a quarterly basis. The Company will settle the difference between the fixed and floating interest rates on a net basis. The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. The average interest rate is based on the outstanding balances at the end of the reporting period. The interest rate swap is measured at fair value with changes recognised in profit or loss.

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:

2017	**Within 1 year €000**	**1–2 years €000**	**2–3 years €000**	**3–4 years €000**	**4+ years €000**	**Total €000**
Berlin Hyp AG/Deutsche Pfandbriefbank AG	**(1,063)**	**(1,063)**	**(1,063)**	**(1,063)**	**(37,188)**	**(41,440)**
Cash assets	**—**	**—**	**—**	**—**	**—**	**—**

2016	Within 1 year €000	1–2 years €000	2–3 years €000	3–4 years €000	4–5 years €000	Total €000
Berlin Hyp AG/Deutsche Pfandbriefbank AG	(1,438)	(1,725)	(52,038)	—	—	(55,201)
Macquarie Bank Limited	—	—	—	—	—	—
Cash assets	19,874	—	—	—	—	19,874

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

23. Issued share capital

Authorised	Number of shares	Share capital €
Ordinary shares of no par value	Unlimited	—
As at 31 March 2017	**Unlimited**	**—**

Issued and fully paid	Number of shares	Share capital €
Ordinary shares of no par value		
As at 31 March 2015	630,338,749	—
Issued ordinary shares	118,040,020	—
Issued Treasury Shares	3,606,118	—
As at 31 March 2016	751,984,887	—
Issued ordinary shares	125,488,040	—
Issued Treasury Shares	313,608	—
As at 31 March 2017	**877,786,535**	**—**

Holders of the ordinary shares are entitled to receive dividends and other distributions and to attend and vote at any general meeting. Shares held in treasury are not entitled to receive dividends or to vote at general meetings.

23. Issued share capital continued

On 26 May 2016, the Company issued 313,608 ordinary shares out of treasury to the Company's two Executive Directors and some of the Group's Senior Management Team pursuant to the Company's MSP incentive scheme. This resulted in the Company's overall issued share capital being 753,360,553 ordinary shares, of which 1,062,058 were held in treasury. The total number of ordinary shares with voting rights in the Company at this date was 752,298,495.

Pursuant to an equity raise of €30.0 million on 21 June 2016, the Company issued 56,603,774 ordinary shares at an issue price of €0.53, resulting in the Company's overall issued share capital being 809,964,327 ordinary shares, of which 1,062,058 were held in treasury. The total number of ordinary shares with voting rights in the Company at this date was 808,902,269. Costs associated with the equity raise amounted to €883,000.

On 23 June 2016, the Company announced that the Karoo Investment Fund S.C.A. SICAV-SIF served notice to convert its €5,000,000 convertible loan notes due in 2018 in full into, in aggregate, 22,814,731 new ordinary shares at the conversion price of €0.22 per ordinary share. Following the conversion on 23 June 2016 and the subsequent admission of the shares to AIM on 28 June 2016, the overall issued share capital was 832,779,058 ordinary shares, of which 1,062,058 were held in treasury. The total number of ordinary shares with voting rights in the Company at this date was 831,717,000.

Pursuant to a scrip dividend offering on 15 July 2016, the Company issued 9,052,233 ordinary shares at an issue price of €0.4822, resulting in the Company's overall issued share capital being 841,831,291 ordinary shares, of which 1,062,058 were held in treasury. The total number of ordinary shares with voting rights in the Company at this date was 840,769,233.

Pursuant to a scrip dividend offering on 13 January 2017, the Company issued 11,027,524 ordinary shares at an issue price of €0.5055, resulting in the Company's overall issued share capital being 852,858,815 ordinary shares, of which 1,062,058 were held in treasury. The total number of ordinary shares with voting rights in the Company at this date was 851,796,757.

Pursuant to an equity raise of €15.0 million on 7 March 2017, the Company issued 25,989,778 ordinary shares at an issue price of €0.5771, resulting in the Company's overall issued share capital being 878,848,593 ordinary shares, of which 1,062,058 were held in treasury. The total number of ordinary shares with voting rights in the Company at this date was 877,786,535. Costs associated with the equity raise amounted to €446,000.

The Company holds 1,062,058 of its own shares, which are held in treasury (2016: 1,375,666). During the year 313,608 shares were issued from treasury.

No shares were bought back in the year.

24. Other reserves

Other distributable reserve

The other distributable reserve was created for the payment of dividends and for the buyback of shares and is €470,318,000 in total at 31 March 2017 (2016: €429,094,000).

25. Dividends

In May 2016, the Company announced a dividend of 1.30c per share with a record date of 17 June 2016 and payable on 15 July 2016. On the record date, 753,360,553 shares were in issue, of which 1,062,058 were held in treasury and 752,298,495 were entitled to participate in the dividend. Holders of 334,125,185 shares elected to receive the dividend in ordinary shares under the Scrip Dividend Alternative, representing a dividend of €4,344,000, while holders of 418,173,310 shares opted for a cash dividend with a value of €5,503,000. The total dividend was €9,847,000.

In November 2016, the Company announced a dividend of 1.39c per share with a record date of 16 December 2016 for UK shareholders and 15 December 2016 for SA shareholders and payable on 20 January 2017. On the record date, 841,831,291 shares were in issue, of which 1,062,058 were held in treasury and 840,769,233 were entitled to participate in the dividend. Holders of 401,207,527 shares elected to receive the dividend in ordinary shares under the Scrip Dividend Alternative, representing a dividend of €5,576,785, while holders of 439,561,706 shares opted for a cash dividend with a value of €6,182,148. The total dividend was €11,758,933.

The Group's profit attributable to the equity holders of the Company for the year was €71.8 million (2016: €54.7 million). The Board has declared a final dividend of 1.53c per share for the year ended 31 March 2017. The final dividend will be paid on 18 August 2017 with the ex-dividend dates being 12 July 2017 for SA shareholders and 13 July 2017 for UK shareholders on the UK register. As has been reported previously, both the interim and final dividends represent 65% of FFO* for the first and second halves of the year ended 31 March 2017, respectively. It is intended that dividends will continue to be paid on a semi-annual basis and offered to shareholders in cash or scrip form.

* Adjusted profit before tax adjusted for depreciation, amortisation of financing fees and current tax receivable/incurred.

Notes to the financial statements continued
for the year ended 31 March 2017

25. Dividends continued
The dividend per share was calculated as follows:

	31 March 2017 € million	31 March 2016 € million
Reported profit before tax	**76.4**	57.1
Adjustments for:		
Surplus on revaluation	**(49.8)**	(44.2)
Gain of disposals	**(0.1)**	—
Other adjusting items*	**8.9**	9.5
Change in fair value of financial derivatives	**(0.1)**	0.5
Adjusted profit before tax	**35.3**	22.9
Adjustments for:		
Depreciation	**0.9**	0.6
Amortisation of financing fees	**1.2**	1.3
Current taxes (incurred)/receivable (see note 10)	**(0.3)**	0.2
Funds from Operations, year ended 31 March	**37.1**	25.0
Funds from Operations, six months ended 30 September	**17.1**	9.9
Funds from Operations, six months ended 31 March	**20.0**	15.0
Dividend pool, six months ended 30 September	**11.7**	6.9
Dividend pool, six months ended 31 March**	**13.4**	9.8
Dividend per share, six months ended 30 September	**1.39c**	0.92c
Dividend per share, six months ended 31 March	**1.53c**	1.30c

* Includes the net effect of main market move costs, refinancing costs, management LTIP rewards and expected selling costs associated with the notarised assets accounted for as held for sale in the period. See note 11 for details.

** Calculated as 65% of FFO of 2.38c per share (31 March 2016: 2.01c per share) based on average number of shares outstanding of 846,641,989 (31 March 2016: 749,229,846).

26. Related parties
On 22 March 2013, the Company issued €5.0 million convertible loan notes due in 2018 (the "Loan Notes"). The entire issue of €5.0 million was taken up by the Karoo Investment Fund S.C.A. SICAV-SIF and the Karoo Investment Fund II S.C.A. SICAV-SIF, both of which are advised by Wessel Hamman, a Non-executive Director of the Company. The Loan Notes were issued at par and carried a coupon rate of 5% per annum. The Loan Notes were convertible by the holder into ordinary shares of the Company at an original conversion price of 0.24c. The majority of the proceeds from the issue of the Loan Notes were used to reduce debt levels. On 23 June 2016, the Company announced that the Karoo Investment Fund S.C.A. SICAV-SIF served notice to convert its €5.0 million convertible loan notes due in 2018 in full into, in aggregate, 22,814,731 new ordinary shares at the conversion price of €0.22 per ordinary share. Interest on the Loan Notes was €nil in the period ended 31 March 2017 (31 March 2016: €250,000). The Directors considered that the terms of this transaction were fair and reasonable insofar as its shareholders were concerned.

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

	2017 €000	2016 €000
Directors' fees	**231**	170
Salary and employee benefits	**2,759**	2,704
Share-based payments	**3,926**	1,549
Total	**6,916**	4,423

The share-based payments relating to key management personnel for the year ended 31 March 2017 include an accrued expense of €3,404,000 (2016: €1,225,000) for the granting of shares under the LTIP (see note 8).

Information on Directors' emoluments is given in the remuneration report on pages 51 to 60.

27. Capital and other commitments

The Group's commitments derived from office rental contracts are as follows:

	2017 €000	2016 €000
Less than one year	**528**	497
Between one and five years	**1,959**	1,938
More than five years	**245**	727
	2,732	3,162

As at 31 March 2017, the Group had contracted capital expenditure on existing properties of €5,951,000 (2016: €4,636,000).

These were committed but not yet provided for in the financial statements.

28. Operating lease arrangements

Group as lessor

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

	2017 €000	2016 €000
Less than one year	**63,375**	51,669
Between one and five years	**102,176**	81,813
More than five years	**23,140**	24,467
	188,691	157,949

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

29. List of subsidiary undertakings

The Group consists of 70 subsidiary companies. All subsidiaries are consolidated in full in accordance with IFRS.

Company name	Country of incorporation	Ownership at 31 March 2017 %	Ownership at 31 March 2016 %
Curris Facilities & Utilities Management GmbH	Germany	**100.00**	100.00
DDS Aspen B.V.	Netherlands	**100.00**	100.00
DDS Bagnut B.V.	Netherlands	**100.00**	100.00
DDS Bramble B.V.	Netherlands	**100.00**	100.00
DDS Business Centers B.V.	Netherlands	**100.00**	100.00
DDS Conferencing & Catering GmbH	Germany	**100.00**	100.00
DDS Edelweiss B.V.	Netherlands	**100.00**	100.00
DDS Elm B.V.	Netherlands	**100.00**	100.00
DDS Fir B.V.	Netherlands	**100.00**	100.00
DDS Hawthorn B.V.	Netherlands	**100.00**	100.00
DDS Hazel B.V.	Netherlands	**100.00**	100.00
DDS Hyacinth B.V.	Netherlands	**100.00**	100.00
DDS Lark B.V.	Netherlands	**100.00**	100.00
DDS Lime B.V.	Netherlands	**100.00**	100.00
DDS Maple B.V.	Netherlands	**100.00**	100.00
DDS Mulberry B.V.	Netherlands	**100.00**	100.00

Notes to the financial statements continued
for the year ended 31 March 2017

29. List of subsidiary undertakings continued

Company name	Country of incorporation	**Ownership at 31 March 2017 %**	Ownership at 31 March 2016 %
DDS Rose B.V.	Netherlands	**100.00**	100.00
DDS Walnut B.V.	Netherlands	**100.00**	100.00
DDS Yew B.V.	Netherlands	**100.00**	100.00
LB² Catering and Services GmbH	Germany	**100.00**	100.00
Marba Holland B.V.	Netherlands	**100.00**	100.00
Marba Willstätt B.V.	Netherlands	**100.00**	100.00
SFG NOVA Construction and Services GmbH	Germany	**100.00**	100.00
Sirius Alder B.V.	Netherlands	**100.00**	100.00
Sirius Ash B.V.	Netherlands	**100.00**	100.00
Sirius Beech B.V.	Netherlands	**100.00**	100.00
Sirius Coöperatief U.A.	Netherlands	**100.00**	100.00
Sirius Corporate Services B.V.	Netherlands	**100.00**	100.00
Sirius Facilities (UK) Limited	UK	**100.00**	100.00
Sirius Facilities GmbH	Germany	**100.00**	100.00
Sirius Finance (Guernsey) Ltd.	Guernsey	**100.00**	100.00
Sirius Four B.V.	Netherlands	**100.00**	100.00
Sirius Gum B.V.	Netherlands	**100.00**	100.00
Sirius Ivy B.V.	Netherlands	**100.00**	100.00
Sirius Juniper B.V.	Netherlands	**100.00**	100.00
Sirius Laburnum B.V.	Netherlands	**100.00**	100.00
Sirius Lily B.V.	Netherlands	**100.00**	100.00
Sirius Management One GmbH	Germany	**100.00**	100.00
Sirius Management Two GmbH	Germany	**100.00**	100.00
Sirius Mannheim B.V.	Netherlands	**100.00**	100.00
Sirius Oak B.V.	Netherlands	**100.00**	100.00
Sirius One B.V.	Netherlands	**100.00**	100.00
Sirius Orchid B.V.	Netherlands	**100.00**	100.00
Sirius Pine B.V.	Netherlands	**100.00**	100.00
Sirius Tamarack B.V.	Netherlands	**100.00**	100.00
Sirius Three B.V.	Netherlands	**100.00**	100.00
Sirius Two B.V.	Netherlands	**100.00**	100.00
Sirius Willow B.V.	Netherlands	**100.00**	100.00
Marba Bonn B.V.	Netherlands	**99.73**	99.73
Marba Bremen B.V.	Netherlands	**99.73**	99.73
Marba Brinkmann B.V.	Netherlands	**99.73**	99.73
Marba Catalpa B.V.	Netherlands	**99.73**	99.73
Marba Cedarwood B.V.	Netherlands	**99.73**	99.73
Marba Chestnut B.V.	Netherlands	**99.73**	99.73
Marba Dandelion B.V.	Netherlands	**99.73**	99.73
Marba Dutch Holdings B.V.	Netherlands	**99.73**	99.73
Marba Foxglove B.V.	Netherlands	**99.73**	99.73
Marba HAG B.V.	Netherlands	**99.73**	99.73

29. List of subsidiary undertakings continued

Company name	Country of incorporation	Ownership at 31 March 2017 %	Ownership at 31 March 2016 %
Marba Hornbeam B.V.	Netherlands	**99.73**	99.73
Marba Königswinter B.V.	Netherlands	**99.73**	99.73
Marba Maintal B.V.	Netherlands	**99.73**	99.73
Marba Marigold B.V.	Netherlands	**99.73**	99.73
Marba Merseburg B.V.	Netherlands	**99.73**	99.73
Marba Mimosa B.V.	Netherlands	**99.73**	99.73
Marba Regensburg B.V.	Netherlands	**99.73**	99.73
Marba Saffron B.V.	Netherlands	**99.73**	99.73
Marba Troisdorf B.V.	Netherlands	**99.73**	99.73
Sirius Administration One GmbH & Co KG	Germany	**94.80**	94.80
Sirius Administration Two GmbH & Co KG	Germany	**94.80**	94.80
Verwaltungsgesellschaft Gewerbepark Bilderstöckchen GmbH	Germany	**94.15**	94.15

Notes to the financial statements continued
for the year ended 31 March 2017

30. Post balance sheet events

On 1 April 2017, the Group acquired a property located in Frankfurt. Total acquisition costs are expected to be €4.5 million. The property is a single building comprising office and basement space and has a net lettable area of 4,064sqm. The property is 28% occupied and let to six tenants, producing an annual income of €153,000 and having a weighted average remaining lease term of 1.5 years.

On 21 April 2017, the Group notarised the sale of a mature asset located in Kiel for €7.0 million that was originally acquired in 2007. The sale is at an EPRA net operating yield of 7.4%. The asset is a multi-let mixed-use business park generating €0.56 million of net operating income with occupancy of 92% over a net lettable area of around 10,000sqm.

On 30 April 2017, the Group completed the sale of the site at Munich Rupert Mayer Strasse for €85.0 million, a business park of around 72,000sqm of office and warehouse space which was originally acquired in 2008. The sale has been structured as a sale and leaseback with a lease of six years and a rent payable of c. €5.0 million per annum for the first five years and then in the final year at a cost equal to the net operating income of the site. The leaseback enables the Group to retain the difference between the rent it pays and the income from the site in addition to an annual management fee of €100,000 per annum for the term of the lease.

On 3 May 2017, the Group notarised the acquisition of a property in Grasbrunn, near Munich. Total acquisition costs are expected to be €18.1 million. The property is located in a well-developed commercial area close to Munich. The property comprises four office buildings and has a gross lettable area of 14,791sqm. The property is 3.5% occupied and let to one tenant, producing an annual income of €100,000 and having a weighted average remaining lease term of 1.7 years.

On 19 May 2017, the Group completed the sale of a mature asset located in Düsseldorf for €11.0 million that was originally acquired in 2008. The sale is at a 25% premium to the last reported book value at 30 September 2016. The asset is a mixed-use business park generating €0.85 million of net operating income with occupancy of 96% over a net lettable area of 16,600sqm.

On 23 May 2017, the Group notarised the acquisition of a property located in Neuss, near Düsseldorf. Total acquisition costs are expected to be €15.8 million. The property comprises one office building and has a net lettable area of 18,258sqm. The property is 38.3% occupied and let to six tenants, producing an annual income of €670,000 and having a remaining weighted average lease term of 5.1 years.

On 23 May 2017, the Group notarised the acquisition of a property located in Neu-Isenburg, near Frankfurt. Total acquisition costs are expected to be €9.7 million. The property is an office building with basement space and has a net lettable area of 7,996sqm. The property is 41.3% occupied and let to one tenant, producing an annual income of €472,000 and having a remaining weighted average lease term of 1.5 years.

On 1 June 2017, the Group acquired a property located in Cologne. Total acquisition costs are expected to be €22.9 million. The property comprises two connected multi-let office buildings and has a net lettable area of 20,342sqm. The property is 99.5% occupied and let to 17 tenants, producing an annual income of €2.0 million and having a weighted average remaining lease term of 2.4 years.

On 1 June 2017, the Group notarised the acquisition of a property located in Berlin Mahlsdorf. Total acquisition costs are expected to be €6.4 million. The property is a mixed-use business park and has a net lettable area of 12,912sqm. The property is 63.9% occupied and let to 21 tenants, producing an annual income of €530,000 and having a remaining weighted average lease term of 6.2 years.

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