Strong balance sheet and continued rental growth

Sirius Real Estate Limited
Interim Report 2022

Stability underpinning results

Sirius Real Estate Limited is a leading owner and operator of branded business parks providing flexible workspace in Germany and the UK.

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OUR HIGHLIGHTS

Strong balance sheet and continued rental growth

Rental growth underpins FFO growth and dividend increases

- Total revenue increased by 47.7% to €130.6 million (30 September 2021: €88.4 million)
- Like-for-like annualised rent roll increased by 2.4% in Germany during the period, to €115.2 million (31 March 2022: €112.5 million), and 4.1% in the UK, to £46.5 million (31 March 2022: £44.7 million)
- 47.0% growth in funds from operations[1] to €48.5 million (30 September 2021: €33.0 million)
- Profit before tax of €75.7 million (30 September 2021: €78.2 million) with a 78.7% uplift in underlying profit to €47.9 million (30 September 2021: €26.8 million) when adjusted for €27.8 million of property valuation gains
- Adjusted earnings per share, which excludes valuation movements as well as exceptional items, increased 26.6% to 3.71c per share (30 September 2021: 2.93c) reflecting the positive year on year operational development
- 32.4%[2] increase in dividend per share to 2.70c (30 September 2021: 2.04c)
- Continued valuation and NAV growth with NAV per share increasing 1.8% to 103.90c (31 March 2022: 102.04c) with adjusted NAV[3] per share increasing by 2.0% to 110.72c (31 March 2022: 108.51c)
- Valuation increase of €20.3 million and £6.3 million (€7.5 million) representing a 1.8% and 2.1% like-for-like valuation growth in Germany and the UK respectively
- Increase in owned investment property to €2,081.4 million (31 March 2022: €2,074.9 million)

Early loan refinancing further strengthens balance sheet

- Completed the early financing of the new €170 million Berlin Hyp AG loan facility approximately one year ahead of maturity, with a seven year facility available 1 November 2023 to 31 October 2030 at a 4.26% fixed interest rate which increases the Company's weighted average debt maturity to five years upon its availability
- Book value of unencumbered properties remaining at €1.6 billion (31 March 2022: €1.6 billion)
- Weighted average cost of debt decreasing to 1.3% in the period (31 March 2022: 1.4%)
- Net LTV of 41.0% (31 March 2022: 41.6%), including unrestricted cash balance of €138.6 million (31 March 2022: €127.3 million)
- Fitch reaffirmed its BBB investment grade rating with "Stable Outlook" on 4 November 2022

Successful asset recycling

- Disposal of two mature assets at a premium to book value in Magdeburg, Germany, for €13.8 million and Camberwell, UK, for €18.8 million which together represent a 9.4% premium to book value at the time of agreeing the sale
- These proceeds will be recycled into two value-add acquisition assets in the second half of the financial year amounting to €43.7 million in Düsseldorf (€39.8 million) and Dreieich (€3.9 million)

€75.7m
↓ (3.2)%
Profit before tax

2022	75.7
2021	78.2

€130.6m
↑ 47.7%
Total revenue

2022	130.6
2021	88.4

€48.5m
↑ 47.0%
Funds from operations[1]

2022	48.5
2021	33.0

€167.9m
↑ 68.4%
Total annualised rent roll

2022	167.9
2021	99.7

2.70c per share
↑ 32.4%[2]
Interim dividend

2022	2.70
2021	2.04

6.00c per share
↓ (6.8)%
Basic earnings per share

2022	6.00
2021	6.44

1 See note 25 of the Interim Report 2022.
2 Interim dividend representing 65% of FFO (30 September 2021: 65% of FFO).
3 See note 11 of the Interim Report 2022.

BUSINESS UPDATE

Strong trading performance despite uncertain market conditions

"It has been another solid six months for the business, with our portfolio continuing to demonstrate its resilience in both Germany and the UK. Dividend and FFO growth is being supported by strong trading, with continued demand for space at our properties leading to rent roll increases and a robust leasing pipeline taking this positive momentum into the second half. There are also many opportunities within our portfolio to unlock value and grow rental income through our successful asset management platform."

In summary:

- Sirius remains resilient and well positioned to navigate the current macro-economic climate due to its intensive asset management initiatives and the fixed price contracts it has secured for a significant portion of its utility demands in both Germany and the UK, which should shelter its diverse tenant base from some of the higher operating costs that most industrial companies are facing
- As such, the Company continues to expect to trade in line with consensus and management expectations for the full year

Overview

Sirius had an exceptional trading period in the first six months of the financial year ending 31 March 2023, considering the economic backdrop and sentiment in both the German and UK commercial property markets as further outlined in its principal risks and uncertainties in note 2(f). Total revenue has increased 47.7% to €130.6 million (30 September 2021: €88.4 million) from both substantial organic growth as well as the positive impact of acquisitions, particularly with respect to the BizSpace purchase which completed in November 2021.

Organically, the Company has seen a 2.4% increase in like-for-like rent roll in Germany and a 4.1% increase in the UK for the six month period and, given the leasing momentum we are seeing at the start of the second half, the Company seems set for another year of greater than 5% like-for-like rent roll increase as it has achieved for the last eight years. This has helped the Group report a 47.0% growth in FFO to €48.5 million (30 September 2021: €33.0 million) which has supported a 32.4% increase in the interim dividend to 2.70c per share compared to the 2.04c for H1 last year. Sirius has also seen NAV per share growth of around 2% in the six month period which was helped by a 1.2% like-for-like uplift in the valuation of owned investment property to €2,081.4 million from €2,074.9 million as at 31 March 2022.

Additionally, the Company continued to fuel its future organic growth potential with some excellent asset recycling in the period which also helped demonstrate the resilience of the Company's asset valuations. The completion of the Magdeburg (Germany) and Camberwell (UK) sales in the period, and at premium to book values, proves that the Group's assets remain desirable, and replacing these non-core and mature assets with the Düsseldorf and Dreieich assets in the second half of the financial year gives us the opportunity to unlock substantial income and value growth potential through our asset management platform.

Like-for-like annualised rent roll increased to €115.2 million (31 March 2022: €112.5 million) in Germany which was driven by a 3.3% increase in like-for-like rate per sqm to €6.53 (31 March 2022: €6.32). In the UK, a strong increase in like-for-like rate per sq ft of 8.4% to £12.64 (31 March 2022: £11.67) was also the driver of the like-for-like rent roll increase to £46.5 million (31 March 2022: £44.7 million).

The Company has also further strengthened its balance sheet through the financing of the €170 million Berlin Hyp AG loan facility, for a period of seven years to 31 October 2030. This extends Sirius' average debt maturity to 5.0 years once it comes into effect on 1 November 2023. Sirius' average cost of debt, which now sits at 1.3%, will increase by around 60bps when this new facility is in place to 1.9%, maintaining reasonable cost of debt levels. The early financing of the loan demonstrates the Company's excellent relationship with its financiers and its ability to refinance or take out new facilities at all stages of the property cycle.

Looking forward, the Company is confident it can continue to grow FFO organically through its intensive asset management initiatives as well as through further asset recycling. In addition, while the Company will continue to reduce its net LTV, it will also seek to exploit any significantly accretive deals that it comes across. However, the primary focus will be optimising the significant growth opportunity which the existing portfolio continues to offer, especially from the recently acquired assets, which will continue to fuel this growth over the next few years. Furthermore, asset recycling and acquisitions will only be completed when they significantly enhance this growth whilst also being in line with the Group's LTV objectives.

Financial performance

The Company reported a profit before tax for the six month period of €75.7 million (30 September 2021: €78.2 million) which includes €27.8 million of gains* from investment property revaluations of its owned assets (30 September 2021: €51.4 million). Total revenue, which comprises rent, fee income from Titanium, other income from investment properties and service charge income, increased by 47.7% to €130.6 million (30 September 2021: €88.4 million).

As a result, FFO for the six months grew to €48.5 million (4.15c per share) compared to €33.0 million (3.14c per share) for the same period in the prior year, an increase of 32.2% on a per share basis, which feeds through to the increase in interim dividend. Basic earnings of €70.0 million and 6.0c per share compares to €67.7 million and 6.44c in the prior year reflecting the lower valuation increases coupled with a small lag on the asset recycling between when assets were sold and the equity reinvested. Adjusted EPS, which excludes valuation movements as well as exceptional items, increased by 26.6% to 3.71c per share from 2.93c in the prior year reflecting the positive year on year operational development.

* Net of capex and adjustments in relation to lease incentives and broker fees.

The following table sets out the key earnings per share metrics:

Table 1: Earnings per share

	30 Sept 2022			30 Sept 2021			
	Earnings €000	**No. of shares**	**Cents per share**	Earnings €000	No. of shares	Cents per share	Change %
Basic EPS	**70,008**	**1,167,383,139**	**6.00**	67,738	1,052,600,936	6.44	(6.8)%
Diluted EPS	**70,008**	**1,183,403,147**	**5.92**	67,738	1,070,514,305	6.33	(6.5)%
Adjusted EPS	**43,294**	**1,167,383,139**	**3.71**	30,862	1,052,600,936	2.93	26.5%
Basic EPRA EPS	**41,226**	**1,167,383,139**	**3.53**	32,550	1,052,600,936	3.09	14.2%
Diluted EPRA EPS	**41,226**	**1,183,403,147**	**3.48**	32,550	1,070,514,305	3.04	14.6%

The Directors have chosen to disclose EPRA earnings, which are widely used alternative metrics to their IFRS equivalents (further details on EPRA best practice recommendations can be found at www.epra.com). Refer to note 2(c) for further information.

The usual positive impact we would expect to see from acquisitions made during the period was much lower than expected. This is because the investment market has faced headwinds due to interest rate increases, inflation and uncertainty of utilities supply as a result of the Ukraine conflict, which led Sirius to make the decision to hold back on deploying its cash reserves in order to exercise discipline before fully investing again. As a result, investment activity for both Sirius and the market in general has been subdued over the last six months. The Company did, however, complete the acquisitions of a small asset in Potsdam for €0.9 million which is strategically located at the entrance to one of Sirius' existing business parks in the period, as well as two business parks worth €43.7 million in Düsseldorf (€39.8 million) and Dreieich (€3.9 million) in October 2022. Due to the timing of completions, the impact from acquisitions will only benefit the second half of this financial year. As mentioned above, these acquisitions were predominantly funded by the sale of Sirius' Magdeburg asset for €13.8 million, a parcel of non-income producing land on the Company's books at €0.25 million for €1 million, and the sale of its Camberwell asset for £16.0 million (€18.8 million), at a 94% premium to the asset's value at the time of the BizSpace purchase last year. Whilst the sale of these assets at a premium to their book value demonstrates the Company's ability to realise the value of its assets in all market conditions, the loss of income from these assets will impact the financial year.

BUSINESS UPDATE CONTINUED

Financial performance continued

Net asset value per share ("NAV") grew by 1.8% to 103.90c (31 March 2022: 102.04c) in the period whilst adjusted net asset value per share ("adjusted NAV") increased by 2.0% to 110.72c (31 March 2022: 108.51c). EPRA net tangible assets ("EPRA NTA") per share increased by 2.0% to 109.47c (31 March 2022: 107.28c) with the main driver of these increases attributable to valuation uplift more than offsetting the capex deployed in the period. The valuation metrics are described in more detail below and the movement in net asset value per share in the period can be seen in the following table:

Table 2: Net assets per share

	cents per share
NAV as at 31 March 2022	102.04
Profit after tax	3.71
Gain on revaluation of investment properties	2.38
Deferred tax charge	(0.46)
Scrip and cash dividend paid	(2.51)
EBT share purchase and LTIP vesting	0.04
Foreign currency	(1.67)
Adjusting items	0.37
NAV per share as at 30 September 2022	**103.90**
Deferred tax and adjustments to financial derivatives*	6.82
Adjusted NAV per share as at 30 September 2022	**110.72**
EPRA adjustments*	(1.25)
EPRA NTA per share as at 30 September 2022	**109.47**

* See note 11 of the Interim Report.

Lettings and rental growth

Rental growth

Germany

In Germany, like-for-like annualised rent roll increased by 2.4% in the six month period to €115.2 million (31 March 2022: €112.5 million). The tenant retention rate at 65% was slightly lower than the 71% recorded for the same period last year. However, with continued strong demand for space across our assets, the 79,872 sqm of new lettings, bringing in €8.3 million of annualised rental income, more than offset 91,963 sqm of move-outs and the €8.2 million of income lost. This, combined with the €2.6 million increase in annualised rent roll from existing tenants, which came from contracted increases and uplifts on renewal, has driven the like-for-like average rental rate to €6.53 per sqm from €6.32 per sqm at 31 March 2022, a 3.3% increase. This highlights the strong and diverse occupier demand within the German portfolio as well as Sirius' ability to capture the benefits of a high inflation rate. Like-for-like occupancy dropped slightly to 83.8% from 84.5% at 31 March 2022 due to some large known move-outs at three sites in Germany, where the Company is confident of replacing these tenants quickly. The asset recycling mentioned above, where high-occupied assets are sold and replaced with assets with similar income but high vacancy and opportunity, will further reduce occupancy levels and increase the opportunity for further income, profit, cash flow and valuation improvements going forward.

The movement in annualised rent roll is described in more detail below:

Table 3a: Annualised rent roll – Germany

	€m
Annualised rent roll as at 31 March 2022	113.7
Acquisitions	–
Disposals	(1.2)
Move-outs	(8.2)
Move-ins	8.3
Contracted uplifts and increases upon renewals	2.6
Annualised rent roll as at 30 September 2022	**115.2**

UK

In the UK, like-for-like annualised rent roll increased by 4.1% in the six month period to £46.5 million (31 March 2022: £44.7 million). This was driven by an 8.4% increase in like-for-like average rental rate to £12.64 per sq ft from £11.67 per sq ft at 31 March 2022, highlighting the high reversion potential within the UK portfolio which is realisable due to continued strong occupier demand. Similar to what happened in Germany, the like-for-like occupancy reduced to 87.0% from 90.5% in the period due to a combination of large known move-outs, and the decision to proactively manage the customer base in order to take advantage of the high rent increases in the UK industrial market and high demand for flexible workspace in the UK as well as bringing in new tenants at higher rates.

Table 3b: Annualised rent roll – UK

	£m
Annualised rent roll as at 31 March 2022	45.1
Disposals	(0.4)
Move-outs	(8.5)
Move-ins	8.0
Rental uplifts	2.3
Annualised rent roll as at 30 September 2022	**46.5**

Enquiries and new lettings

Germany

In Germany, the marketing platform generated a total 7,554 enquiries in the six month period for assets within the wholly owned portfolio which compares to 8,036 enquiries for the same period in the prior year. This was converted into an average of 145 deals per month which was slightly lower than the 175 deal monthly average for the six months ended 31 March 2022. The total sqm let in the period was 79,872, which was also slightly lower than the 83,757 sqm let in the same period last year; however, the average deal size at 92 sqm per deal was higher than the 82 sqm per deal last year. Details of monthly enquiries plus letting numbers and sqm volumes are set out in the two tables below:

Table 4a: Enquiries – Germany

	No. of enquiries six months to Sept 2022	No. of enquiries six months to Sept 2021	Change %
April	**1,035**	1,235	(16.2)%
May	**1,304**	1,333	(2.2)%
June	**1,175**	1,341	(12.4)%
July	**1,298**	1,305	(0.5)%
August	**1,383**	1,435	(3.6)%
September	**1,359**	1,387	(2.0)%
Total	**7,554**	8,036	(6.0)%

Table 5a: Deals – Germany

	New deals six months to Sept 2022	New deals six months to Sept 2021	**Sqm six months to Sept 2022**	Sqm six months to Sept 2021	**Average sqm six months to Sept 2022**	Average sqm six months to Sept 2021
April	**172**	219	**12,697**	13,463	**74**	61
May	**87**	170	**10,448**	15,953	**120**	94
June	**148**	166	**11,711**	12,629	**79**	76
July	**125**	139	**13,945**	15,185	**112**	109
August	**167**	182	**12,411**	11,877	**74**	65
September	**170**	175	**18,659**	14,650	**110**	84
Total	**869**	1,051	**79,871**	83,757	**92**	82

Enquiries and new lettings continued

UK

Despite a challenging market, driven by market uncertainty over inflation, the UK operating platform generated a total 8,056 enquiries during the period for an average of 1,343 per month. These enquiries were translated into 377 new deals in the first half of the year, an average of 63 per month, which was lower than the 73 deal monthly average for the six months ended 31 March 2022. The volume of sq ft let in the period was 161,470, lower than the 186,974 sq ft let in the second half of last year; however, the average deal size was slightly higher at 429 sq ft per deal compared to 423 sq ft per deal last year. Details of monthly letting numbers and sqm volumes are set out in the table below:

Table 4b: Enquiries – UK

	No. of enquiries six months to Sept 2022
April	1,494
May	1,548
June	1,319
July	1,181
August	1,158
September	1,356
Total	**8,056**

Table 5b: Lettings – UK

	New deals six months to Sept 2022	Sq ft six months to Sept 2022	Average sq ft six months to Sept 2022
April	70	37,233	532
May	65	30,445	468
June	64	25,067	392
July	51	18,981	372
August	55	25,114	457
September	72	24,630	342
Total	**377**	**161,470**	**428**

Comparatives for the six months ended September 2021 are not available as these relate to the pre-acquisition period of BizSpace.

Cash collection

Germany

Billing tenants higher rents is one thing but this is of no value unless they actually pay. The Company continues to achieve high levels of cash collection, benefiting from an experienced in-house team of professionals in Germany which has grown in expertise throughout the Covid-19 pandemic and continues to maintain close relationships with tenants. During the period under review Sirius has continued to work with its tenants as they adapt to new ways of working, their related space requirements and inflationary pressures and help them to actively manage their debt. Cash collection performance remained strong in the six month period to 30 September 2022 relating to rent and service charge prepayments and is detailed in the following table (excluding VAT):

Table 6a: Cash collection to 30 September 2022 – Germany

	Invoiced €000	Outstanding €000	Collection %
April	14,527	188	98.7%
May	14,530	184	98.7%
June	14,684	240	98.4%
July	14,328	261	98.2%
August	14,054	347	97.5%
September	14,399	1,165	91.9%
Total	**86,522**	**2,385**	**97.2%**

In the six month period to 30 September 2022 the Company billed a total of €86.5 million (excluding VAT) to tenants of which €84.1 million or 97.2% was collected. The Company expects to collect the majority of the €2.4 million outstanding debts, of which €0.5 million were collected in early October, with the remaining €1.9 million expected to be collected through its regular collection activities over the coming months. When considering the €0.5 million collected in early October, the cash collection rate increases to 97.8% for the six month period. Write-offs with a value of less than €5,000 relating to the period under review were recorded, with the twelve month rolling balance amounting to €45,000. The twelve month rolling cash collection rate was 98.0% in line with the 98.4% reported for the twelve month period to 31 March 2022 and the 98.2% rolling cash collection rates for the comparative period in the prior year. This consistency in cash collection demonstrates the benefits of a well-diversified portfolio and tenant base that represents a wide range of industries combined with the asset management expertise of the Company's internal operating platform.

UK

BizSpace also continued to maintain high cash collection rates through the team's active management of its tenant base. Of the £24.3 million (excluding VAT) which was billed in the period, £24.0 million or 98.6% was collected. The remaining £0.3 million is expected to be collected in the normal course of regular collection activities over the coming months. The Company wrote off less than £11,000 in the period under review.

Table 6b: Cash collection to 30 September 2022 – UK

	Invoiced £000	Outstanding £000	Collection %
April	3,833	–	100%
May	3,750	–	100%
June	4,667	–	100%
July	3,917	1	100%
August	3,583	10	99.7%
September	4,583	318	93.1%
Total	**24,333**	**329**	**98.6%**

Portfolio valuation

Group

Taking into account investment property relating to leased assets the total investment property book value as at 30 September 2022 was €2,105.0 million (31 March 2022: €2,100.0 million). In accordance with IFRS 16, the Group recognises lease liabilities of €23.6 million relating to leases on assets meeting the definition of investment property. Accordingly, a revaluation loss of €0.9 million representing the fair value adjustment in the year was recorded in the income statement.

The movement in book value in the period for both Germany and the UK is set out in the table below:

Table 7: Movement in book value in the period

	German investment property – owned €000	German investment property – leased €000	UK investment property – owned €000	UK investment property – leased €000	Investment property – total €000
Investment properties at book value as at 31 March 2022	1,623,157	12,064	451,769	13,014	2,100,004
Additions relating to owned investment properties	832	—	—	—	832
Capex investment and capitalised broker fees	9,593	—	1,943	—	11,536
Disposals	—	—	(13,792)	—	(13,792)
Reclassified as investment properties held for sale	(1,000)	—	—	—	(1,000)
Gain on revaluation above capex investment and broker fees	20,306	—	7,448	—	27,754
Deficit on revaluation relating to leased investment properties	—	(897)	—	(22)	(919)
Adjustment in respect of lease incentives	(23)	—	—	—	(23)
Currency effects	—	—	(18,801)	(545)	(19,346)
Investment properties at book value as at 30 September 2022	**1,652,865**	**11,167**	**428,567**	**12,447**	**2,105,046**

Germany

The increase in value of the German portfolio by €29.7 million was made up of €0.8 million of acquisitions, €9.6 million of capex investment and €20.3 million of valuation uplift, offset by €1.0 million transfer to assets held for sale on the back of the 2.4% increase in like-for-like rental income. The portfolio is now valued on a gross yield of 7.0% which has increased from 6.9% at 31 March 2022. Despite all the pressures on the property market in Germany, yields have been robust for the higher yielding asset classes with sellers preferring to take assets off the market rather than reduce prices significantly. Nevertheless, Sirius is particularly well positioned to absorb any yield expansion in the asset class due to the value-add potential remaining within its portfolio and the fact that its assets are valued at yields which are much higher than where similar assets have been trading at over the last few years. Sirius' business model of upgrading and repositioning assets which transforms underperforming assets with issues through its capex programme into much more desirable institutional type assets is one which works very effectively when the market is strong as well as when it is more challenging.

As at the period end, just over 60% of the total portfolio comprised assets benefiting from both income and value-add potential which will be realised through Sirius' intensive asset management and selective capex investment over the next few years. These assets now have an average occupancy of 78.8% and are valued on a gross yield of 7.3% and compare to the mature assets which are on average around 95.8% occupied and valued on a gross yield of 6.5%. The unlocking of the potential in the value-add portfolio will come from filling up sites and stabilising their rental income. This will be achieved through our strategy of making the properties much more appealing to a wider market which includes the lower cost of capital investors who buy these types of assets on much tighter yields. Hence, we would expect to see the gap between the yields of the value-add assets and mature assets tighten as the value-add assets approach maturity. This is why the capex programme, which has so successfully and consistently improved the occupancy, rental income, service charge cost leakage and overall quality of the rent roll and site in general, has proven to be extremely value accretive as well. The comparison of the key metrics between the value-add and mature portfolios can be seen in the table below.

Table 8a: Book value valuation metrics – Germany

Owned properties	Annualised rent roll €m	Book value €m	NOI €m	Capital €value/ sqm	Gross yield	Net yield	Vacant space sqm	Rate per sqm €	Occupancy %
Value-add assets	75.0	1,032.0	67.2	761	7.3%	6.5%	262,040	6.42	78.8%
Mature assets	40.2	621.9	38.6	1,347	6.5%	6.2%	21,671	6.76	95.8%
Other	–	–	(0.8)	–	–	–	–	–	–
Total	**115.2**	**1,653.9**	**105.0**	**910**	**7.0%**	**6.3%**	**283,711**	**6.53**	**83.8%**

UK

The negative movement in owned investment property of the UK portfolio of €23.2 million was made up of €13.8 million of disposal, a net €7.5 million valuation uplift, after taking into account €1.9 million of capital expenditure and €18.8 million foreign currency translation adjustment.

The 30 September 2022 book value of the UK portfolio, which was independently valued by Cushman & Wakefield LLP, of £378.4 million (31 March 2022: £370.4 million) represents an average gross yield of 12.3% (31 March 2022: 11.8%) which translates to a net yield of 8.7% (31 March 2022: 8.0%). The 2.2% valuation increase compared to 31 March 2022 was driven by organic increases in annualised rent roll of 4.1% reflecting the ability of the operating platform to consistently grow income.

The average capital value per sqm of the portfolio of £90 per sq ft remains well below replacement cost and illustrates the potential for further growth from transformative investment through leveraging the Group's capex investment programme. The book value valuation metrics are detailed in the table below:

Table 8b: Book value valuation metrics – UK

Owned properties	Annualised rent roll £m	Book value £m	NOI £m	Capital £value/sq ft	Gross yield	Net yield	Vacant space sq ft	Rate per sq ft £	Occupancy %
UK portfolio	46.5	378.4	32.9	90	12.3%	8.7%	547,033	12.64	87.0%

German capex investment programme

The Group's capex investment programme on the German assets has historically been focused on the transformation of the poor-quality vacant space that is typically acquired at very low cost due to it being considered as structural vacancy by former owners. The transformation and take up of this space has not only resulted in significant income and valuation improvements for the Company but also has yielded significant improvements in service charge cost recovery and therefore further enhanced the improvements to net operating income. The programme started in 2015 and to date 398,393 sqm of space has been completed for an investment of €60 million and, at 30 September 2022, this space was generating €26.4 million in annualised rent roll (at 79% occupancy) plus the substantial improvement in the recovery of service charge costs. This transformed space has also been the major contributor towards the large valuation increases seen on the portfolio over the last 7.5 years.

BUSINESS UPDATE CONTINUED

German capex investment programme continued

In addition to the space that has been completed and let or is currently being marketed, a total of approximately 57,765 sqm of space is either in progress of being transformed or is awaiting approval to commence transformation. A further €14.9 million is expected to be invested into this space on top of the €1.2 million already spent, and, based on achieving budgeted occupancy, is expected to generate incremental annualised rent roll in the region of €4.5 million. The details of the capex programme on this low-quality vacant space are shown below:

Table 9: Capex investment programme

New capex investment programme progress	Sqm	Investment budgeted €m	Actual spend €m	Annualised rent roll increase budgeted €m	**Annualised rent roll increase achieved to September 2022 €m**	Occupancy budgeted	Occupancy achieved to September 2022	Rate per sqm budgeted €	**Rate per sqm achieved to September 2022 €**
Completed	398,393	65.2	60.0	24.3	**26.4**	82%	79%	6.24	**7.04**
In progress	35,046	10.0	1.2	3.0	**—**	83%	—	8.48	**—**
To commence in next financial year	22,719	6.1	—	1.5	**—**	81%	—	6.71	**—**
Total	456,158	81.3	61.2	28.8	**26.4**	82%	79%	6.44	**—**

In addition to the capex investment programme on acquired "structural" vacant space, Sirius continually identifies and looks for opportunities to upgrade the space that is vacated each year as a result of move-outs. Within the existing vacancy at 30 September 2022, the Company has identified approximately 37,254 sqm of recently vacated space that has potential to be significantly upgraded before it is re-let. This space will require an investment of approximately €6.0 million and, at current rates, is expected to generate around €3.3 million in annualised rent roll when re-let. Upgrading this vacated space allows the Company to further enhance the reversionary potential of the portfolio whilst significantly enhancing the quality, desirability and hence value of not only the space that is invested into but the whole site.

The analysis below details the total vacancy of the German portfolio as at 30 September 2022 and highlights the opportunity from developing this space.

Table 10: Vacancy

	% of total space	Sqm	Capex investment €m	ERV (post investment)
Subject to capex investment programme	3%	57,699	15.1	4.2
Recently vacated space to be upgraded	2%	37,254	6.0	3.3
Total space subject to investment	**5%**	**94,953**	**21.1**	**7.5**
Structural vacancy	**2%**	**38,012**	**—**	**—**
Smartspace vacancy	2%	27,017	—	3.0
Lettable vacancy	7%	123,729	0.3	8.0
Total lettable vacancy	**9%**	**150,746**	**0.3**	**11.0**
Total vacancy	**16%**	**283,711**	**21.4**	**18.5**

The German portfolio's headline 84% occupancy rate means that in total 283,711 sqm of space is vacant as at 30 September 2022. When excluding the vacancy that is subject to investment (5% of total space), and the structural vacancy, which is not economically viable to develop (2% of total space), the Company's occupancy rate based on space that is readily lettable is approximately 91%.

Whilst the capex investment programmes are a key part of Sirius' strategy, they represent one of several ways in which the Company can organically grow income and capital values. A wide range of asset management capabilities including the capturing of contractual rent increases (especially whilst inflation is high), uplifts on renewals and the re-letting of space at higher rates are expected to also contribute to the Company's annualised rent roll growth going forward.

Asset recycling, acquisitions and disposals

Recycling equity from mature assets into new value-add acquisitions has always been a significant part of the Sirius business model. It benefits the Company in many ways including a) proving enhanced valuations and that these can be crystallised; b) replenishing the growth opportunity within the vacancy and the capex programme; and c) being accretive to FFO per share (and hence dividend per share) as well as contributing to NAV per share growth. This is an element of the Company's strategy which Sirius in general is able to execute effectively throughout the property cycle and this has been evidenced by the disposals and acquisition activity that has been conducted during the period under review. Even though the market for both selling and buying remains a challenging one due to the current economic climate, the Company was able to recycle some non-core and mature assets in Germany and the United Kingdom and reinvest these funds into some excellent value-add opportunities in Germany, albeit this has been to an intentionally lesser degree than in previous quarters.

Disposals

In Germany, the Company completed the sale of the Magdeburg asset for €13.8 million. This represented a 5.5% premium to book value at the time of notarisation and allowed Sirius to dispose of an asset located in a non-core location with only structural vacancy for which it was not economically viable to transform, even for the Sirius business model. In the UK, a mature asset in Camberwell was sold for £16.0 million (€18.8 million) which represents a net initial yield of approximately 2.0% and a 94% premium to the value at the time of the Company's acquisition of BizSpace in November 2021. Additionally, the Company notarised the sale of 3,200 sqm of non-income producing land in Heiligenhaus, Germany, for €1 million which has a book value of €0.25 million and is expected to close in the fourth quarter of this financial year.

Acquisitions

The Company continued to take a conservative approach to acquisitions over the last six months due to the current uncertainty in the market and is more focused on reducing net LTV and building up cash reserves for when opportunities do arise. Hence, there were no acquisitions completed in the period apart from a small building which sits at the entrance of an existing Sirius site; however, two acquisitions did complete just after the period end in October 2022.

The completed purchase was of a 239 sqm office building in Potsdam, Germany, which strategically gives Sirius ownership of an asset located at an entrance to one of the Company's existing business parks. With total acquisition costs of €0.9 million the building was purchased fully vacant and gives the Company control of all buildings on a site which is located next to the world famous Babelsberg Film Studios.

The post-period acquisitions included the previously communicated Düsseldorf purchase for total acquisition costs of €39.8 million. The multi-tenanted site is located in close proximity to Düsseldorf International Airport and provides 24,400 sqm of office and 9,900 sqm of industrial space. With over 15,500 sqm of vacant space at the date of notarisation, the site provides significant rental and valuation growth opportunity as well as reasonable day-one net income to replace most of the income lost from disposals. The Company has a number of assets in the Düsseldorf area and Sirius expects to benefit from meaningful operational synergies by adding another.

The final acquisition was in Dreieich and also completed in October 2022. It comprises a warehouse asset located in a well-developed commercial area in Dreieich, Germany, that is strategically adjacent to an existing property owned by Sirius. With total acquisition costs of €3.9 million, the asset consists of 5,200 sqm of industrial space and 439 sqm of residential space which will initially generate around €50,000 of annualised net operating income at 54% occupancy. There are plenty of value-add opportunities within this asset, which includes potentially converting the property into a self-storage facility. If progressed, this would add to the Company's existing Smartspace self-storage brand and take advantage of the high demand for self-storage in the area which Sirius has established through operating its asset in the area for the last five years. Sirius currently owns and operates at 32 self-storage locations across Germany and this would be one of the largest and most significant.

BUSINESS UPDATE CONTINUED

Acquisitions continued

A summary of acquisitions and disposals is set out in the tables below:

Table 11a: Acquisitions

Notarised/completed for acquisition	Date	Total investment €m	Total acquired sqm	Annualised rental income €m	Annualised NOI €m	Occupancy	Gross yield
Düsseldorf*	Oct 22	39.8	34,310	2.1	1.6	55%	5.3%
Dreieich*	Oct 22	3.9	5,648	0.2	–	54%	4.1%
Potsdam	May 22	0.9	239	–	–	0%	0%
Total		**44.6**	**40,198**	**2.3**	**1.6**	**54%**	**5.5%**

* Completed 1 October 2022.

Table 11b: Disposals and assets held for sale

Notarised/completed for sale	Date	Total sales price €m	Total disposal sqm	Annualised rental income €m	Annualised NOI €m	Occupancy	Gross yield*
Magdeburg	Apr 22	13.8	32,070	1.3	1.0	69%	9.2%
Heiligenhaus Land	Sep 22	1.0	–	–	–	0%	0.0%
Camberwell (UK)	Jul 22	18.8	3,224	0.4	0.3	91%	2.1%
Sub-total		**33.6**	**35,294**	**1.7**	**1.3**	**71%**	**5.5%**

* Calculated on net purchase price.

Net LTV and debt refinancing

Given the rising interest rates and the uncertainty that this and the many other factors affecting the German and UK property markets are causing at the moment, the Company has prioritised improving its debt ratios and building up its cash reserves. Net LTV, which reduces the loan balance by free cash (excluding restricted cash balances) in its calculation, was 41.0% (31 March 2022: 41.6%) whilst interest cover at EBITDA level was 8.1x as at 30 September 2022 (31 March 2022: 7.3x). The Group is fully committed to continue reducing its net LTV to be well within the Group's policy of 40% or below in the near term.

In addition, with interest rates forecast to continue to rise, Sirius has been proactive in its debt refinancing initiatives, securing a new seven year loan facility of €170 million with Berlin Hyp AG. The facility comes into effect on 1 November 2023 at a fixed interest rate of 4.26% up to 31 October 2030 and is secured against the same asset base as the existing facility, which is due to mature in October 2023. This refinancing extends the Group's total weighted average debt expiry to 5.0 years when the new facility commences just over a year from now. It will increase the Group's weighted average cost of debt by around 60bps from its current 1.3% to 1.9%. The early financing of this loan facility is a testament to the Company's strong relationship it has with its financiers and their belief in the Sirius business model. This ability to refinance debt at favourable rates in the current market circumstances is a massive asset for the Company.

The Company has an additional €35 million in unsecured debt coming due within the next twelve months, which Sirius' management is already planning for. The Company is also currently in the process of refinancing its €58 million Deutsche Pfandbriefbank AG facility which expires at the end of 2023.

This early refinancing of facilities, along with the fact that Sirius has more than €1.6 billion of unencumbered assets on its balance sheet, provides substantial strength and comfort to ensure that not only can the Company deal with any adverse conditions within the property and finance markets but can also be on the front foot should opportunities arise. Sirius does fully realise that further improving its debt ratios is also an important part of supporting this position.

All covenants were complied with in full during the period. A summary of the movement in the Group's debt is set out below:

Table 12: Movement in debt*

	€m
Total debt as at 31 March 2022	995,557
Scheduled amortisation	(2,699)
Total debt as at 30 September 2022	**992,858**

* Excludes loan issue costs.

Strength of well-diversified income and tenant base

A combination of the diversity of the Group's tenant base and wide range of space offerings, which are underpinned by an established operating platform, continues to be extremely beneficial to Sirius and will be another key element to help the Company continue to grow over the next few years, regardless of the property and financing market conditions. Diversity in both space type and tenancy is key to this. Sirius' portfolio includes industrial, manufacturing, urban logistics/production, storage and out of town office space that caters to multiple usages and a vast range of sizes and tenant types. The diversity of the Company's tenant base ranges from large stable and long-term anchor tenants through to the flexible SME and private customers who are the engine room of any economy.

Germany

In Germany, the Group's large anchor tenants are typically multinational corporations occupying production, storage and related office space. These tenants contribute around 40% of the German rental income. The flexible tenant base is predominantly those who are renting the Smartspace branded offices, self-storage and workbox spaces and generally comprises much smaller tenants on a more flexible basis. These flexible spaces are currently contributing about 7% of the German rental income. The other half of the German rental income comes from the SME sector which occupies both smaller and larger space on a conventional basis. Managing the SME tenant base is the bread and butter of what Sirius does and which it can do far more effectively than its competitors because of its in-house sales and marketing platform that the Company has developed over the last 15 years. This, along with the ability to convert, fill up and manage the Smartspace areas, which are usually transformed from areas where Sirius' competitors leave as structural vacancy, is a key differentiator for Sirius. This skillset allows Sirius to run a value-add strategy which works well in both strong and weak markets and allows the Company to make much higher returns for its equity providers at a much lower risk, which also suits its debt providers.

The table below illustrates the diverse nature of tenant mix within the German portfolio at the end of the reporting period:

Table 13a: Tenant breakdown – Germany

	No. of tenants as at 30 September 2022	Occupied sqm	% of occupied sqm	Annualised rent income* €m	% of total annualised rent income* %	Rate per sqm €
Top 50 anchor tenants[1]	**50**	673,988	46%	45.5	40%	5.63
Smartspace SME tenants[2]	**2,855**	68,322	5%	7.9	7%	9.64
Other SME tenants[3]	**2,897**	727,497	49%	61.8	53%	7.07
Total	**5,802**	1,469,806	100%	115.2	100%	6.53

1 Mainly large national/international private and public tenants.

2 Mainly small and medium-sized private and public tenants.

3 Mainly small and medium-sized private and retail tenants.

* See glossary section of the Interim Report 2022.

As the conflict in Ukraine continues to constrain Europe's energy supply, Germany is well positioned through its early identification of the issue and shoring up of its gas reserves. As at November 2022, Germany had managed to ensure 99.55% of its gas storage capacity had been filled, enabling the German economy to continue operating without expected interruptions this coming winter. Additionally, the Company's robust and well-diversified tenant base does not have a significant reliance on gas supplies to continue operating and, as such, the potential negative impact on Sirius' rent roll and hence profit is low. In Germany, the Company sources its utilities and facilities management services in bulk for its properties and has managed to secure pricing until December 2023 at significantly below current market rates. As a result, its tenants should be sheltered from some of the higher operating costs that most industrial companies are facing right now. This is yet another benefit and advantage offered by Sirius that it has from its intense active management strategy.

BUSINESS UPDATE CONTINUED

Strength of well-diversified income and tenant base continued

UK

BizSpace's top 100 tenants are larger corporate customers representing 25% of its annualised income, whilst the remaining 75% are made up of SME and micro-SME tenants. With regard to energy costs, while the UK is not reliant on gas from Russia, Sirius has also secured long-term utility pricing across its BizSpace portfolio to allow this platform to remain competitive.

Table 13b: Tenant breakdown – UK

	No. of tenants as at 30 September 2022	Occupied sq ft	% of occupied sq ft	Annualised rent income* £m	% of total annualised rent income* %	Rate per sq ft £
Top 100 tenants	**100**	952,157	25%	11.5	25%	12.11
Next 900 tenants	**900**	1,638,244	43%	19.8	43%	12.11
Remaining tenants	**2,251**	1,086,502	32%	15.1	32%	13.91
Total	**3,251**	3,676,923	100%	46.5	100%	12.64

* See glossary section of the Interim Report 2022.

Smartspace

The Company's Smartspace product has been mentioned throughout this report and continues to be very attractive to a wide range of customers. The Company expects this to continue to be the case, and perhaps is expected to become even more so when the market weakens and uncertainty is present. From Sirius' perspective, the Smartspace brand and product range are created through its highly effective capex programme into sub-optimal space which is otherwise extremely difficult to let and usually left vacant by other operators. The transformation of this space deals with the problems of the site and massively improves the quality and feel of the entire business park. From the customer perspective, Smartspace offers them a range of affordable serviced offices, self-storage units and workboxes on a flexible basis that can be tailored to their needs. In the post-pandemic environment, as businesses manage remote working, online selling, issues with supply chains and supply shortages, the Smartspace product line becomes even more attractive because of its flexibility, pricing and location being on the fringes of major cities. The fact that the Company is creating this space by converting sub-optimal and unutilised space into this premium offering, space which is highly popular and achieving rental rates well in excess of the rest of the portfolio, means that even though this is only a small part of Sirius' business, it is a huge part of the value enhancement process and the asset transformation.

The annualised rental income now being generated from Smartspace, excluding the element that covers service charge costs, is now €7.9 million, an increase of 2.0% from the beginning of the period and an 11.0% increase from the comparative period last year. The occupancy of Smartspace has remained stable in the period at 72% but the rate has increased by 4.4% in the last six months to €9.64 per sqm.

A summary of Smartspace products and their contribution to the Group is set out below:

Table 14: Smartspace

Smartspace product type	Total sqm	Occupied sqm	Occupancy %	Annualised rent roll (excl. service charge) €000	% of total Smartspace annualised rent roll	Rate per sqm (excl. service charge) €
First Choice Office	5,117	3,037	59%	825	10%	22.63
SMSP Office	31,789	24,029	76%	2,895	37%	10.04
SMSP Workbox	5,974	5,524	92%	431	5%	6.51
SMSP Storage	48,772	34,332	70%	3,316	42%	8.05
SMSP Containers	—	—	—	290	4%	—
SMSP sub-total	**91,652**	**66,922**	**73%**	**7,757**	**98%**	**9.66**
SMSP Flexilager	3,686	1,400	38%	145	2%	8.62
SMSP total	**95,338**	**68,322**	**72%**	**7,902**	**100%**	**9.64**

Environmental, social and governance ("ESG")

Our ESG programme has continued to develop throughout the period as we work to fully integrate it into our overall strategy as well as throughout our business and financial processes. We remain focused on our commitment to having an established environmental, social and governance framework that is both based on solid analysis and detailed management planning, which delivers long-term financial and sustainable value to all our stakeholders. We will be publishing our first ESG Report in the next few weeks which will carry further information on our ambitions, actions and oversight of our ESG programme.

We have continued to make progress in our work to assess and understand our decarbonisation pathway towards net zero. Our expertise is based on extending the life and purpose of older buildings and the age and scale of our portfolio provides both opportunities and challenges for decarbonisation, which will be reflected in the pathway to net zero we are developing in stages across the business.

As we have previously announced, we will achieve net zero for our Scope 1 and 2 emissions in Germany this year, supported in part by our recent move to a new, more energy efficient head office in Berlin, as well as the continued conversion of our cars to hybrid or EV models and an improved travel policy.

We are now focused on addressing our Scope 3 emissions in Germany, as well as understanding the implications of our UK assets. We will soon complete the initial emissions analysis of all our German assets in line with the Science Based Targets initiative which will form the basis of a more detailed operational and financial plan to net zero for the whole German portfolio.

We also intend to start a similar decarbonisation exercise for our UK assets during the next financial year, after we have completed a thorough review of BizSpace's environmental data and EPCs, which will be finalised just after our first anniversary of acquiring the business. As part of this environmental review, we have also started to look at the opportunities within the BizSpace portfolio for biodiversity enhancement and plan to start to bring the programme we have developed across Germany to the UK in the new financial year.

We continue to engage with our tenants and employees. We recently completed our annual engagement surveys, which for the first time covered both Germany and the UK, and we were pleased with the level of responses. We are now reviewing the results and taking the findings into account within our management processes. We have also continued to unify the values between Sirius and BizSpace and are focused on learning from each other as we look to bring together our ESG programmes, specifically across training and development, wellbeing and diversity and inclusion. This effort will be further enhanced by the launch of the Sirius Training Centre which will bring both Sirius and BizSpace employees onto the same training and development platform and programme. We are also exploring opportunities to drive further positive impact to our local communities, starting with the introduction of formalised community hours for our employees, to encourage community outreach at employee level.

All of this work is being overseen by the ESG Working Groups which now exist within both Sirius and BizSpace. Both groups are chaired by Kremena Wissel, Chief Marketing and Impact Officer ("CMIO"), who reports through to the Sustainability and Ethics Committee, which remains focused on improving the Group's economic sustainability.

BUSINESS UPDATE CONTINUED

Outlook

Sirius is pleased with the trading performance of the first six months of the financial year, which saw continued like-for-like rent roll growth and strong cash collection rates in both Germany and the UK.

The increase in rent roll in Germany as well as the positive contribution from the BizSpace acquisition resulted in a 32.4% increase in dividend to 2.70c per share compared to the same period in the prior year. At the time of writing the Company has owned BizSpace for a full year and it is now fully integrated into the Group and operating well alongside the well-established Sirius business. As such, the percentage increases in dividend growth are expected to normalise going forward.

As the Company navigates through a challenging macro-economic climate in Europe, it remains well positioned to continue to grow due to its intensive asset management initiatives, diversified offerings and extremely effective and dynamic business model. These initiatives included putting in place the fixed price contracts it has secured for a significant portion of its utility demands in both Germany and the UK which will help its customers manage the energy crisis in Europe. This is also helped by the German and UK governments shoring up their utilities supply and offering significant relief packages to combat soaring energy prices to support struggling businesses. As Germany has shored up its gas reserves to more than 99% and provided a powerful government relief package, the Company anticipates continued strong trading for the Company's financial year despite the fact that a large proportion of its tenant base uses gas and the impact from rising utilities prices and concern over supply should be limited. In the UK, which is not reliant on gas from Russia, BizSpace's position is very strong and it remains committed to long-term utility pricing allowing this segment to remain competitive as well.

The Company continues to further improve its debt ratios whilst continuing to work with its lenders to extend or refinance any expiring debt on the horizon so that any uncertainty over its interest payments on debt going forward is removed. Additionally, Sirius is committed to maintaining adequate levels of leverage well within its target of 40% of net loan to value. Looking forward, the Company will continue building up its available capital reserves as it assesses a wide range of future opportunities and is expected to continue to grow organically whilst remaining cautious on acquisitive growth until the trajectory of the UK and German markets becomes a bit clearer. Sirius' strong financial position and excellent support from debt and equity providers give the Sirius Board great optimism that the Company will come through whatever happens over the next few years well and that it will be able to take advantage of any opportunities that arise, including planned acquisitions and strategic disposals, and remains confident in its ability to continue to deliver attractive risk-adjusted returns to all stakeholders.

Andrew Coombs
Chief Executive Officer

Alistair Marks
Chief Investment Officer and Interim Chief Financial Officer
18 November 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Each of the Directors, whose names and functions appear below, confirm to the best of their knowledge that the unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting", as issued by the IASB, and the interim management report herein includes a fair review of the information required by the Disclosure Guidance and Transparency Rules ("DTR"), namely:

- DTR 4.2.7 (R): an indication of important events that have occurred during the first six months of the financial year, and their impact on the condensed set of consolidated interim financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- DTR 4.2.8 (R): any related party transactions that have taken place in the six month period ended 30 September 2022 that have materially affected, and any changes in the related party transactions described in the 2022 Annual Report that could materially affect, the financial position or performance of Sirius Real Estate Limited during the period.

The Directors of Sirius Real Estate Limited as at the date of this announcement are set out below:

- Daniel Kitchen, Chairman*
- Caroline Britton, Senior Independent Director*
- Andrew Coombs, Chief Executive Officer
- Alistair Marks, Chief Investment Officer and Interim Chief Financial Officer
- Diarmuid Kelly, Chief Financial Officer**
- James Peggy*
- Mark Cherry*
- Kelly Cleveland*
- Joanne Kenrick*

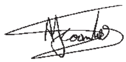
* Non-Executive Directors.

** Resigned 16 August 2022.

A list of the current Directors is maintained on the Sirius Real Estate Limited website: www.sirius-real-estate.com.

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

By order of the Board



Andrew Coombs
Chief Executive Officer

Alistair Marks
Chief Investment Officer and Interim Chief Financial Officer
18 November 2022

INDEPENDENT REVIEW REPORT
to Sirius Real Estate Limited

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2022 which comprises the unaudited consolidated income statement, the unaudited consolidated statement of comprehensive income, the unaudited statement of financial position, the unaudited consolidated statement of changes in equity, the unaudited consolidated statement of cash flow and the related notes 1 to 28. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2022 is not prepared, in all material respects, in accordance with International Accounting Standard 34, the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority, the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides, as issued by the South African Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council of South Africa.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE) issued by the Financial Reporting Council. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 2(d), the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as issued by the IASB. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting".

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE, however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the Directors

The Directors are responsible for preparing the half-yearly financial report in accordance with:

» the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority;

» the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides, as issued by the Accounting Practices Committee; and

» the Financial Pronouncements as issued by the Financial Reporting Standards Council of South Africa.

In preparing the half-yearly financial report, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Ernst & Young LLP
Guernsey
18 November 2022

CONDENSED CONSOLIDATED INCOME STATEMENT
for the six months ended 30 September 2022

	Notes	**Unaudited[1] six months ended 30 September 2022 €000**	Unaudited six months ended 30 September 2021 €000
Revenue	4	**130,558**	88,352
Direct costs	5	**(57,350)**	(38,843)
Net operating income		**73,208**	49,509
Gain on revaluation of investment properties	12	**26,812**	48,414
Gain/(loss) on disposal of properties		**4,801**	(400)
Recoveries from prior disposals of subsidiaries		**—**	94
Administrative expenses	5	**(24,809)**	(12,311)
Share of profit of associates	17	**2,597**	2,463
Operating profit		**82,609**	87,769
Finance income	8	**1,129**	1,596
Finance expense	8	**(9,249)**	(11,347)
Change in fair value of derivative financial instruments	8	**1,244**	160
Net finance costs		**(6,876)**	(9,591)
Profit before tax		**75,733**	78,178
Taxation	9	**(5,673)**	(10,386)
Profit for the period after tax		**70,060**	67,792
Profit attributable to:			
Owners of the Company		**70,008**	67,738
Non-controlling interest		**52**	54
		70,060	67,792
Earnings per share			
Basic earnings per share	10	**6.00c**	6.44c
Diluted earnings per share	10	**5.92c**	6.33c

(1) Refer to note 2(a).

All operations of the Group have been classified as continuing.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 September 2022

	Notes	**Unaudited[1] six months ended 30 September 2022 €000**	Unaudited six months ended 30 September 2021 €000
Profit for the period after tax		**70,060**	67,792
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods			
Foreign currency translation reserve	24	**(19,542)**	–
Other comprehensive loss after tax that may be reclassified to profit or loss in subsequent periods		**(19,542)**	–
Other comprehensive loss for the period after tax		**(19,542)**	–
Total comprehensive income for the period after tax		**50,518**	67,792
Total comprehensive income attributable to:			
Owners of the Company		**50,466**	67,738
Non-controlling interest		**52**	54
		50,518	67,792

(1) Refer to note 2(a).

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 September 2022

	Notes	**Unaudited[1] 30 September 2022 €000**	Audited 31 March 2022 €000
Non-current assets			
Investment properties	12	**2,105,046**	2,100,004
Plant and equipment		**7,199**	5,492
Intangible assets	14	**4,129**	4,283
Right of use assets	15	**15,259**	14,996
Other non-current financial assets	16	**48,409**	48,330
Investment in associates	17	**26,739**	24,142
Total non-current assets		**2,206,781**	2,197,247
Current assets			
Trade and other receivables	18	**24,420**	24,571
Derivative financial instruments		**1,573**	329
Cash and cash equivalents	19	**162,098**	150,966
Total current assets		**188,091**	175,866
Assets held for sale	13	**1,000**	13,750
Total assets		**2,395,872**	2,386,863
Current liabilities			
Trade and other payables	20	**(76,993)**	(89,335)
Interest-bearing loans and borrowings	21	**(37,243)**	(19,630)
Lease liabilities	15	**(1,458)**	(1,090)
Current tax liabilities	9	**(4,978)**	(10,423)
Total current liabilities		**(120,672)**	(120,478)
Non-current liabilities			
Interest-bearing loans and borrowings	21	**(943,176)**	(961,863)
Lease liabilities	15	**(37,233)**	(37,571)
Deferred tax liabilities	9	**(81,220)**	(75,893)
Total non-current liabilities		**(1,061,629)**	(1,075,327)
Total liabilities		**(1,182,301)**	(1,195,805)
Net assets		**1,213,571**	1,191,058
Equity			
Issued share capital	23	**—**	—
Other distributable reserve	24	**544,419**	570,369
Own shares held	23	**(8,329)**	(6,274)
Foreign currency translation reserve	24	**(21,243)**	(1,701)
Retained earnings		**698,266**	628,258
Total equity attributable to the owners of the Company		**1,213,113**	1,190,652
Non-controlling interest		**458**	406
Total equity		**1,213,571**	1,191,058

(1) Refer to note 2(a).

The financial statements on pages 19 to 57 were approved by the Board of Directors on 18 November 2022 and were signed on its behalf by:

Daniel Kitchen
Chairman

Company number: 46442

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 September 2022

	Notes	Issued share capital €000	Other distributable reserve €000	Own shares held €000	Foreign currency translation reserve €000	Retained earnings €000	Total equity attributable to the owners of the Company €000	Non-controlling interest €000	Total equity €000
As at 31 March 2021 (audited)		–	449,051	(2,903)	–	480,385	926,533	292	926,825
Profit for the period		–	–	–	–	67,738	67,738	54	67,792
Other comprehensive income for the period		–	–	–	–	–	–	–	–
Total comprehensive income for the period		–	–	–	–	67,738	67,738	54	67,792
Dividends paid		9,195	(20,576)	–	–	–	(11,381)	(5)	(11,386)
Transfer of share capital		(9,195)	9,195	–	–	–	–	–	–
Share-based payment transactions		–	1,403	–	–	–	1,403	–	1,403
Value of shares withheld to settle employee tax obligations		–	(2,020)	–	–	–	(2,020)	–	(2,020)
Own shares allocated		–	–	306	–	–	306	–	306
As at 30 September 2021 (unaudited)		–	437,053	(2,597)	–	548,123	982,579	341	982,920
Profit for the period		–	–	–	–	80,135	80,135	65	80,200
Other comprehensive income for the period		–	–	–	(1,701)	–	(1,701)	–	(1,701)
Total comprehensive income for the period		–	–	–	(1,701)	80,135	78,434	65	78,499
Shares issued		159,926	–	–	–	–	159,926	–	159,926
Transaction cost relating to share issues		(6,219)	–	–	–	–	(6,219)	–	(6,219)
Dividends paid		4,478	(23,912)	–	–	–	(19,434)	–	(19,434)
Transfer of share capital		(158,185)	158,185	–	–	–	–	–	–
Share-based payment transactions		–	542	–	–	–	542	–	542
Value of shares withheld to settle employee tax obligations		–	(1,499)	–	–	–	(1,499)	–	(1,499)
Own shares purchased		–	–	(5,545)	–	–	(5,545)	–	(5,545)
Own shares allocated		–	–	1,868	–	–	1,868	–	1,868
As at 31 March 2022 (audited)		–	570,369	(6,274)	(1,701)	628,258	1,190,652	406	1,191,058
Profit for the period		–	–	–	–	70,008	70,008	52	70,060
Other comprehensive income for the period		–	–	–	(19,542)	–	(19,542)	–	(19,542)
Total comprehensive income for the period		–	–	–	(19,542)	70,008	50,466	52	50,518
Dividends paid	25	1,440	(27,651)	–	–	–	(26,211)	–	(26,211)
Transfer of share capital	25	(1,440)	1,440	–	–	–	–	–	–
Share-based payment transactions	7	–	1,947	–	–	–	1,947	–	1,947
Value of shares withheld to settle employee tax obligations	7	–	(1,686)	–	–	–	(1,686)	–	(1,686)
Own shares purchased	23	–	–	(2,389)	–	–	(2,389)	–	(2,389)
Own shares allocated	23	–	–	334	–	–	334	–	334
As at 30 September 2022 (unaudited)[(1)]		**–**	**544,419**	**(8,329)**	**(21,243)**	**698,266**	**1,213,113**	**458**	**1,213,571**

(1) Refer to note 2(a).

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
for the six months ended 30 September 2022

	Notes	**Unaudited[1] six months ended 30 September 2022 €000**	Unaudited six months ended 30 September 2021 €000
Operating activities			
Profit for the period after tax		**70,060**	67,792
Taxation	9	**5,673**	10,386
Profit for the period before tax		**75,733**	78,178
(Gain)/loss on disposal of properties		**(4,801)**	400
Net exchange differences		**(309)**	–
Share-based payments	7	**1,947**	1,403
Gain on revaluation of investment properties	12	**(26,812)**	(48,414)
Change in fair value of derivative financial instruments	8	**(1,244)**	(160)
Depreciation of property, plant and equipment	5	**1,027**	349
Amortisation of intangible assets	5	**629**	564
Depreciation of right of use assets	5	**1,141**	260
Share of profit of associates	17	**(2,597)**	(2,463)
Finance income	8	**(1,129)**	(1,596)
Finance expense	8	**9,249**	11,347
Changes in working capital			
Decrease/(increase) in trade and other receivables		**3,786**	(2,598)
Decrease in trade and other payables		**(5,848)**	(2,053)
Taxation paid		**(2,717)**	(256)
Cash flows from operating activities		**48,055**	34,961
Investing activities			
Purchase of investment properties		**(832)**	(20,221)
Prepayments relating to new acquisitions		**(3,639)**	(75,771)
Capital expenditure on investment properties		**(11,904)**	(10,494)
Purchase of plant and equipment and intangible assets		**(3,210)**	(1,461)
Proceeds on disposal of properties (including held for sale)		**18,593**	–
Increase in loan receivable due from associates		**(74)**	(1,124)
Interest received		**1,129**	1,596
Cash flows from/(used in) investing activities		**63**	(107,475)
Financing activities			
Shares purchased		**(2,389)**	–
Payment relating to exercise of share options		**(1,686)**	(2,020)
Dividends paid to owners of the Company		**(26,211)**	(11,381)
Dividends paid to non-controlling interest		**–**	(5)
Proceeds from loans		**–**	400,000
Repayment of loans		**(2,699)**	(173,791)
Payment of principal portion of lease liabilities		**(775)**	(2,931)
Exit fees/prepayment of financing penalties		**–**	(3,697)
Capitalised loan issue cost		**–**	(7,559)
Finance charges paid		**(2,747)**	(4,170)
Cash flows (used in)/from financing activities		**(36,507)**	194,446
Increase in cash and cash equivalents		**11,611**	121,932
Net exchange difference		**(479)**	–
Cash and cash equivalents as at the beginning of the period		**150,966**	65,674
Cash and cash equivalents as at the period end	19	**162,098**	187,606

(1) Refer to note 2(a).

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
for the six months ended 30 September 2022

1. General information

Sirius Real Estate Limited (the "Company" or "Sirius") is a company incorporated in Guernsey and resident in the United Kingdom for tax purposes, whose shares are publicly traded on the Main Market of the London Stock Exchange ("LSE") (primary listing) and the Main Board of the Johannesburg Stock Exchange ("JSE") (primary listing).

The consolidated financial information of the Company comprises that of the Company and its subsidiaries (together referred to as the "Group") for the six month period to 30 September 2022.

The principal activity of the Group is the investment in, and development of, commercial and industrial property to provide conventional and flexible workspace in Germany and the United Kingdom ("UK").

2. Significant accounting policies

(a) Basis of preparation

The unaudited interim condensed set of consolidated financial statements 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 unaudited interim condensed set of consolidated financial statements is presented in euros and all values are rounded to the nearest thousand (€000), except where otherwise indicated.

The Group prepares its interim condensed set of consolidated financial statements in accordance with IAS 34 "Interim Financial Reporting" and in compliance with the framework concepts and the measurement and recognition requirements of the International Financial Reporting Standards ("IFRS") as a result of the primary listing on the JSE. See also note 2(d) for statement of compliance.

The financial information in this unaudited interim condensed set of consolidated financial statements does not comprise statutory accounts. This unaudited interim condensed set of consolidated financial statements has been reviewed, not audited, by the Group's auditor, Ernst & Young LLP, which issued an unmodified review opinion. The financial information presented for the year ended 31 March 2022 is derived from the statutory accounts for that year. Statutory accounts for the year ended 31 March 2022 were approved by the Board on 10 June 2022. The report of the auditor on those accounts was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report, and (iii) did not contain a statement under Sections 263 (2) or (3) of The Companies (Guernsey) Law, 2008.

As at 30 September 2022 the Group's unaudited interim condensed set of consolidated financial statements reflects consistent accounting policies and methods of computation as used in the previous financial year, except for the changes in the application of accounting policies as described in note 2(b). The operating segment UK is a result of a business combination completed on 15 November 2021. As such there are no UK segment reportable figures for the six months ended 30 September 2021.

(b) Changes in accounting policies

The new standards and interpretations to be applied as at 1 April 2022 do not have a material impact on the interim financial statements of the Group.

(c) Non-IFRS measures

The Directors have chosen to disclose EPRA earnings and EPRA net asset value metrics, which are widely used alternative metrics to their IFRS equivalents (further details on EPRA best practice recommendations can be found at www.epra.com). Note 10 to the interim condensed financial statements includes a reconciliation of basic and diluted earnings to EPRA earnings. Note 11 to the interim condensed financial statements includes a reconciliation of net assets to EPRA net asset value metrics.

The Directors are required, as part of the JSE Listing Requirements, to disclose headline earnings; accordingly, headline earnings are calculated using basic earnings adjusted for revaluation gain (net of related tax), gains/losses on disposal of properties (net of related tax), recoveries from prior disposals of subsidiaries (net of related tax), NCI relating to revaluation and revaluation gain/loss on investment property relating to associates (net of related tax). Note 10 to the interim condensed financial statements includes a reconciliation between IFRS and headline earnings.

The Directors have chosen to disclose adjusted earnings in order to provide an alternative indication of the Group's underlying business performance; accordingly, it excludes the effect of adjusting items (net of related tax). Note 10 to the interim condensed financial statements includes a reconciliation of adjusting items included within adjusted earnings, with certain adjusting items stated within administrative expenses in note 5 and certain finance costs in note 8.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED
for the six months ended 30 September 2022

2. Significant accounting policies continued

(c) Non-IFRS measures continued

The Directors have chosen to disclose adjusted profit before tax and funds from operations in order to provide an alternative indication of the Group's underlying business performance and to facilitate the calculation of its dividend pool; a reconciliation between profit before tax and funds from operations is included within note 25 to the interim condensed financial statements. Within adjusted profit before tax are adjusting items as described above gross of related tax.

Further details on non-IFRS measures can be found in the business analysis section of this document.

(d) Statement of compliance

The unaudited condensed interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the United Kingdom Financial Conduct Authority, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the listing requirements of JSE Limited, IAS 34 "Interim Financial Reporting" and in compliance with the framework concepts and the measurement and recognition requirements of the International Financial Reporting Standards ("IFRS") as well as The Companies (Guernsey) Law, 2008. They do not include all of the information required for the full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 March 2022. The unaudited condensed interim financial statements have been prepared on the basis of the accounting policies set out in the Group's annual financial statements for the year ended 31 March 2022 except for the changes in accounting policies as shown in note 2(b). The financial statements for the year ended 31 March 2022 have been prepared in accordance with International Financial Reporting Standards issued by the IASB.

(e) Going concern

The Group has prepared its going concern assessment for the period to the end of 31 December 2023 (the "going concern period"), a period chosen to take into consideration the maturity date of the Deutsche Pfandbriefbank loan, amounting to €57.2 million, which falls due in December 2023. The Group's going concern assessment is based on a forecast of the Group's future cash flows. This considers management's base case scenario and a severe but plausible downside scenario where sensitivities are applied to model the outcome on the occurrence of downside assumptions explained below. It considers the Group's principal risks and uncertainties and is dependent on a number of factors including financial performance, continued access to lending facilities (see note 21) and the ability to continue to operate the Group's secured and unsecured debt structure within its financial covenants.

The severe but plausible scenario models a potential downturn in the Group's performance, including the potential impact of downside macro-factors such as future energy shortages and further increases in inflation, on the Group's financial position and future prospects. The cash flow projections incorporate assumptions on future trading performance and potential valuation movements in order to estimate the level of headroom on facilities and covenants for loan to value, debt service cover, EPRA NAV value, unencumbered assets ratios, fixed charge ratios and occupancy ratios set out within the relevant finance agreements.

The impact of the crisis in Ukraine and Covid-19 on the business in the period ended 30 September 2022 did not result in any deterioration in the Group's income streams or falls in asset values, both of which increased in the period. However, the Directors have been mindful of the challenging macro-factors present in the market and have reflected this in an increase to the severity of the falls in valuations assessed in the severe but plausible downside scenario in the current period.

The base case and severe but plausible downside scenarios include the following assumptions:

Base case:

- growth in rent roll at 30 September 2022, principally from contractual increases in rents and organic growth through lease renewals;
- increasing cost levels in line with forecast inflation of 7% to March 2023 and 4% beyond March 2023;
- continuation of forecast capex investment;
- continuation of forecast dividend payments;
- payment of loan interest and loan amortisation amounts and assumed refinancing of €35.0 million of the Schuldschein facility in December 2022 (€5.0 million), January 2023 (€10.0 million) and July 2023 (€20.0 million) as well as the Deutsche Pfandbriefbank facility of €57.2 million in December 2023;
- payment of loan interest; and
- no acquisitions over and above those legally committed to.

2. Significant accounting policies continued

(e) Going concern continued

Severe but plausible downside scenario:

» reduction in occupancy of 10% per annum from the base case assumptions;

» reduction in service charge recovery of 10% per annum from the base case assumption;

» reduction in property valuations of 10% per annum; and

» repayment of the €35.0 million Schuldschein facility in December 2022 (€5.0 million), January 2023 (€10.0 million) and July 2023 (€20.0 million) as well as the Deutsche Pfandbriefbank facility of €57.2 million in December 2023.

The Directors are of the view that there is a remote probability of a more severe scenario arising than the above severe but plausible downside scenario based upon the Group's track record of performance in challenging scenarios, most recently through the Covid-19 pandemic and the ongoing discussions with its current lenders to secure refinancing as they come due.

In the severe but plausible downside scenario, the Group is expected to comply with its loan covenants, with the exception of a single soft covenant breach which can be remedied with available cash.

The Directors are of the view that there is a high probability of securing the refinancing or an alternative source of secured or unsecured funding to replace the €35.0 million Schuldschein facility and €57.2 million Deutsche Pfandbriefbank facility. This judgement has been informed by the Group's financial forecasts, the Group's track record in previously refinancing maturing debt (including the early refinancing of the secured €170 million Berlin Hyp AG loan facility in August 2022) and the period of time the Group has to arrange refinancing. The Company is in discussions with its current lenders to secure refinancing as they come due. Should the debt facilities falling due not be refinanced or extended, alternative options could be considered, including the use of mitigating factors referred to below. The mitigating factors are within the control of the Directors and there is sufficient time for such mitigating factors to be implemented, if required.

In the severe but plausible downside scenario, the Company assumes full repayment of the loan obligations as they fall due, amounting to €92.2 million in the going concern period. Whilst the Company forecasts having sufficient free cash available to repay these funds in full, the Group's resultant level of available liquidity in the severe but plausible downside scenario may require the Directors to consider the use of the available mitigating actions below, in the unlikely event refinancing could not be completed along with the other factors modelled in the severe but plausible downside scenario coming to pass.

In each of the scenarios considered for going concern, the Group forecasts having sufficient free cash available and if required, could utilise available mitigating actions which would be available to the Group in the going concern review period, which include restricting dividends, reducing capital expenditure or the disposal of unencumbered assets that have a book value of €1.6 billion as at 30 September 2022. The restriction of dividends or reducing capital expenditure are within the control of the Directors and there is sufficient time to implement these restrictions, if required. The Directors have not identified any material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern for the duration of the going concern period.

After due consideration of the going concern assessment for the period to the end of 31 December 2023, the Board believes it is appropriate to adopt the going concern basis in preparing its financial statements.

(f) Principal risks and uncertainties

The key risks that could affect the Group's medium-term performance and the factors which mitigate these risks have not changed substantially from those set out on pages 54 to 63 of the Group's Annual Report and Accounts 2022 and have been assessed in line with the requirements of the 2018 UK Corporate Governance Code. The risks are reproduced below. Two new risks have been identified which relate to energy supply shortages caused by a variety of economic and geopolitical factors and restricted access to the financing market due to higher requirements ("green financing"). The Board is satisfied that the Company continues to operate within its risk profile for the remaining six months of the financial year.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED
for the six months ended 30 September 2022

2. Significant accounting policies continued
(f) Principal risks and uncertainties continued
Principal risks summary

Risk area	Principal risk(s)
1. Financing	» Availability and pricing of debt » Compliance with loan facility covenants » Availability and pricing of equity capital » Reputational risk
2. Valuation	» Property inherently difficult to value » Susceptibility of property market to change in value
3. Markets	» Participation within two geographically diverse markets » Reliance on specific industries and the SME market » Reduction in occupancy
4. Acquisitive growth	» Decrease in number of acquisition opportunities coming to market » Failure to acquire suitable properties with desired returns
5. Organic growth	» Failure to deliver capex investment programmes » Failure to refuel capex investment programmes » Failure to achieve targeted returns from investments
6. Customer	» Decline in demand for space » Significant tenant move-outs or insolvencies » Exposure to tenants' inability to meet rental and other lease commitments » Tenant affordability
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
10. Macro-economic environment	» Impact of the Covid-19 pandemic » Inflationary pressure leading to increased costs » Interest rate movements impacting the commercial real estate market » Delays in cash collection and tenant insolvencies » Energy supply shortages caused by a variety of economic and geopolitical factors
11. ESG	» Unforeseen costs relating to physical and transition risks associated with climate change » Reputational risk » Failure to meet shareholder and societal requirements or expectations » Restricted access to financing market due to higher requirements ("green financing")
12. Foreign currency	» Financial impact of uncontrollable foreign currency fluctuation on earnings and net asset value

3. Operating segments
Information on each operating segment based on geographical location in which the Group operates is provided to the chief operating decision maker, namely the Group's Senior Management Team, on an aggregated basis and represented as operating profit and expenses.

The investment properties that the Group owns are aggregated into segments with similar economic characteristics such as the nature of the property, the products and services it provides, the customer type for the product served, and the method in which the services are provided. Executive management considers that this is best achieved through the operating segments of German assets and United Kingdom assets. The Group's investment properties are considered to be their own segment. The properties at each location (Germany and UK) have similar economic characteristics. These have been aggregated into two operating segments based on location in accordance with the requirements of IFRS 8.

3. Operating segments continued

Consequently, the Group is considered to have two reportable operating segments, as follows:

» Germany; and

» UK.

Consolidated information by segment is provided on a net operating income basis, which includes revenues made up of gross rents from third parties and direct expenses, gains/losses on property valuations, property disposals, and control of subsidiaries. All of the Group's share of profit of associates and administrative expenses including amortisation and depreciation are separately disclosed as part of operating profit. Group administrative costs, finance income and expenses and change in fair value of derivative financial instruments are disclosed.

Income taxes and depreciation are not reported to the Senior Management Team on a segmented basis. There are no sales between segments.

	Unaudited six months ended 30 September 2022			Unaudited six months ended 30 September 2021		
	Germany €000	**UK €000**	**Total €000**	Germany €000	UK €000	Total €000
Rental and other income from investment properties	**59,839**	**19,663**	**79,502**	50,082	–	50,082
Service charge income from investment properties	**30,990**	**8,526**	**39,516**	26,639	–	26,639
Rental and other income from managed properties	**4,768**	**–**	**4,768**	5,321	–	5,321
Service charge income from managed properties	**6,772**	**–**	**6,772**	6,310	–	6,310
Revenue	**102,369**	**28,189**	**130,558**	88,352	–	88,352
Direct costs	**(48,217)**	**(9,133)**	**(57,350)**	(38,843)	–	(38,843)
Net operating income	**54,152**	**19,056**	**73,208**	49,509	–	49,509
Gain on revaluation of investment properties	**19,386**	**7,426**	**26,812**	48,414	–	48,414
Gain/(loss) on disposal of properties	**–**	**4,801**	**4,801**	(400)	–	(400)
Recoveries from prior disposals of subsidiaries	**–**	**–**	**–**	94	–	94
Depreciation and amortisation	**(2,136)**	**(661)**	**(2,797)**	(1,173)	–	(1,173)
Other administrative expenses	**(18,731)**	**(3,281)**	**(22,012)**	(11,138)	–	(11,138)
Share of profit of associates	**2,597**	**–**	**2,597**	2,463	–	2,463
Operating profit	**55,268**	**27,341**	**82,609**	87,769	–	87,769
Finance income	**1,129**	**–**	**1,129**	1,596	–	1,596
Amortisation of capitalised finance costs	**(1,625)**	**–**	**(1,625)**	(1,016)	–	(1,016)
Other finance expense	**(5,502)**	**(2,122)**	**(7,624)**	(10,331)	–	(10,331)
Change in fair value of derivative financial instruments	**1,244**	**–**	**1,244**	160	–	160
Net finance costs	**(4,754)**	**(2,122)**	**(6,876)**	(9,591)	–	(9,591)
Segment profit for the period before tax	**50,514**	**25,219**	**75,733**	78,178	–	78,178

	Unaudited 30 September 2022			Audited 31 March 2022		
	Germany €000	**UK €000**	**Total €000**	Germany €000	UK €000	Total €000
Segment assets						
Investment properties	**1,664,033**	**441,013**	**2,105,046**	1,635,221	464,783	2,100,004
Investment in associates	**26,739**	**–**	**26,739**	24,142	–	24,142
Other non-current assets(1)	**22,308**	**4,279**	**26,587**	21,535	3,236	24,771
Total segment non-current assets	**1,713,080**	**445,292**	**2,158,372**	1,680,898	468,019	2,148,917

(1) Consists of plant and equipment, intangible assets and right of use assets.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED
for the six months ended 30 September 2022

4. Revenue

	Unaudited six months ended 30 September 2022 €000	Unaudited six months ended 30 September 2021 €000
Rental and other income from investment properties	79,502	50,082
Service charge income from investment properties	39,516	26,639
Rental and other income from managed properties	4,768	5,321
Service charge income from managed properties	6,772	6,310
Total revenue	**130,558**	88,352

Other income relates primarily to income associated with conferencing and catering of €2,113,000 (30 September 2021: €1,265,000) and fee income from managed properties of €2,476,000 (30 September 2021: €1,782,000).

As per IFRS 15 definition of total revenue from contracts with customers this includes service charge income and other income totalling €41,629,000 from investment properties (30 September 2021: €27,904,000) and €9,248,000 from managed properties (30 September 2021: €8,092,000). Service charge income and other income totalled €41,968,000 from the German segment (30 September 2021: €35,996,000) and €8,909,000 from the UK segment (30 September 2021: €nil).

5. Operating profit

The following items have been charged in arriving at operating profit:

Direct costs

	Unaudited six months ended 30 September 2022 €000	Unaudited six months ended 30 September 2021 €000
Service charge costs relating to investment properties	44,967	29,803
Costs relating to managed properties	9,840	7,296
Non-recoverable maintenance costs	2,543	1,744
Direct costs	**57,350**	38,843

Administrative expenses

	Unaudited six months ended 30 September 2022 €000	Unaudited six months ended 30 September 2021 €000
Audit and non-audit fees to audit firm	642	379
Legal and professional fees	2,735	1,683
Reversal of expected credit loss provision	(360)	(1,081)
Other administration costs	2,555	521
LTIP and SIP	1,947	1,403
Employee costs	11,819	6,934
Director fees and expenses	336	271
Depreciation of plant and equipment	1,027	349
Amortisation of intangible assets	629	564
Depreciation of right of use assets (see note 15)	1,141	260
Marketing	1,298	1,036
Exceptional items	1,040	(8)
Administrative expenses	**24,809**	12,311

The expected credit loss provision has decreased during the period mainly due to the successful cash collection of outstanding trade receivables that were previously provided for.

5. Operating profit continued

Other administration costs include net foreign exchange losses in amount of €309,000 (30 September 2021: €nil) as a result of declining British pound sterling ("GBP") rates throughout the period.

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

Exceptional items are items which are outside the scope of the Group's daily operations and are non-recurring in nature.

Exceptional items relate to the following:

	Unaudited six months ended 30 September 2022 €000	Unaudited six months ended 30 September 2021 €000
Other fees for projects	**2,922**	–
Legal case costs	**343**	–
Lease agreement termination fees	**784**	–
Decrease in tax liabilities recognised on acquisition of BizSpace[1]	**(3,009)**	–
Other	**–**	(8)
Total	**1,040**	(8)

(1) In the current period, the Group identified an error in the accrual of tax liabilities arising in BizSpace as at 31 March 2022, resulting in an overstatement of the tax liability of €5.0 million of which €3.0 million arose on acquisition. These were assessed as not being material to the 31 March 2022 financial statements and the reduction in the liability has been recorded in the current period. The amounts have been recorded within administrative expenses under exceptional items and the taxation (see note 9) line of the income statement.

6. Employee costs and numbers

	Unaudited six months ended 30 September 2022 €000	Unaudited six months ended 30 September 2021 €000
Wages and salaries	**14,565**	9,940
Social security costs	**2,171**	1,556
Pension	**228**	148
Other employment costs	**452**	39
Total	**17,416**	11,683

Included in the costs related to wages and salaries for the period are expenses of €1,947,000 (30 September 2021: €1,403,000) relating to the granting or award of shares under LTIPs and SIPs (see note 7). The costs for all periods include those relating to Executive Directors.

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, Sirius Finance (Cyprus) Limited, BizSpace Limited, BizSpace II Limited, M25 Business Centres Limited and Sirius Corporate Services B.V. The average number of people employed by the Group during the period was 413 (30 September 2021: 270) expressed in full-time equivalents. In addition, as at 30 September 2022, the Board of Directors consists of six Non-Executive Directors (30 September 2021: six) and two Executive Directors (30 September 2021: two).

7. Employee schemes

Equity-settled share-based payments

2018 LTIP

The LTIP for the benefit of the Executive Directors and the Senior Management Team was approved in 2018 with three separate grant dates. Awards granted under the LTIP are made in the form of nil-cost options which vest after the three year performance period with vested awards being subject to a further holding period of two years. Awards are split between ordinary and outperformance awards. Ordinary awards carry both adjusted net asset value per share ("TNR") (two-thirds of award) and relative total shareholder return ("TSR") (one-third of award) performance conditions and outperformance awards carry a sole TNR performance condition. The employees' tax obligation will be determined upon the vesting date of the share issue.

7. Employee schemes continued

Equity-settled share-based payments continued

June 2020 grant

3,600,000 ordinary share awards were granted under the scheme on 15 June 2020 with a total charge for the award of €2,265,552. Charges for the awards are based on fair values calculated at the grant date and expensed on a straight-line basis over the period that individuals are providing service to the Company in respect of the awards. For the 15 June 2020 LTIP grant an expense of €405,000 is recognised in the half year condensed consolidated income statement to 30 September 2022.

The following assumptions were used in calculating the fair value per share for the TNR and TSR elements of the awards that were granted on 15 June 2020:

	TNR	TSR
Valuation methodology	Black-Scholes	Monte-Carlo
Calculation for	2/3 ordinary award	1/3 ordinary award
Share price at grant date – €	0.84	0.84
Exercise price – €	nil	nil
Expected volatility – %	38.5	38.5
Performance projection period – years	2.79	2.67
Expected dividend yield – %	4.28	4.28
Risk-free rate based on European treasury bonds rate of return – %	(0.677) p.a.	(0.677) p.a.
Expected outcome of performance conditions – %	100.0	67.2
Fair value per share – €	0.745	0.564

The weighted average fair value of share options granted on 15 June 2020 is €0.68.

Assumptions considered in this 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 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; performance projection period; risk-free rate; and correlation between comparators.

June 2019 grant

3,760,000 ordinary share awards and 690,000 outperformance share awards were granted under the scheme on 16 June 2019 with a total charge for the awards of €2,145,511 over three years. Another 93,039 share awards have been granted throughout the performance period as part of dividend equivalents resulting in a total number of shares of 4,543,039. Charges for the awards are based on fair values calculated at the grant date and expensed on a straight-line basis over the period that individuals are providing service to the Company in respect of the awards.

The fair value per share for the TNR and TSR elements of the award was determined using Black-Scholes and Monte-Carlo models respectively with the following assumptions used in the calculation:

	TNR	TSR
Valuation methodology	Black-Scholes	Monte-Carlo
Calculation for	2/3 ordinary award/ outperformance award	1/3 ordinary award
Share price at grant date – €	0.73	0.73
Exercise price – €	nil	nil
Expected volatility – %	23.8	23.8
Performance projection period – years	2.80	2.67
Expected dividend yield – %	4.56	4.56
Risk-free rate based on European treasury bonds rate of return – %	(0.695) p.a.	(0.695) p.a.
Expected outcome of performance conditions – %	100.0/24.5	46.6
Fair value per share – €	0.643	0.340

The weighted average fair value of share options granted on 16 June 2019 is €0.54.

7. Employee schemes continued

Equity-settled share-based payments continued

June 2019 grant continued

Assumptions considered in this 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 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; performance projection period; risk-free rate; and correlation between comparators.

The June 2019 grant vested on 18 July 2022. Vesting was at partial level for all participants resulting in the exercise of 1,620,093 shares with a weighted average share price of €1.02 at the date of exercise. 1,391,585 shares have been surrendered in relation to the partial settlement of certain participants' tax liabilities arising in respect of the vesting. An amount of €1,686,000 was paid for the participants' tax liabilities. An amount of 1,531,361 share awards were kept for exercise later.

2021 LTIP

The LTIP for the benefit of the Executive Directors and the Senior Management Team was approved in 2021. Awards granted under the LTIP are made in the form of nil-cost options which vest after the three year performance period with vested awards being subject to a further restricted period of two years when shares acquired on exercise cannot be sold. Awards are subject to adjusted net asset value per share ("TNR") (two-thirds of award) and relative total shareholder return ("TSR") (one-third of award) performance conditions. The employees' tax obligation will be determined upon the vesting date of the share issue.

August 2021 grant

4,154,119 ordinary share awards were granted under the scheme on 2 August 2021 with a total charge for the award of €4,705,196. Charges for the awards are based on fair values calculated at the grant date and expensed on a straight-line basis over the period that individuals are providing service to the Company in respect of the awards. For the 2 August 2021 LTIP grant an expense of €811,000 is recognised in the half year condensed consolidated income statement to 30 September 2022.

The following assumptions were used in calculating the fair value per share for the TNR and TSR elements of the awards that were granted on 2 August 2021:

	TNR	TSR
Valuation methodology	Black-Scholes	Monte-Carlo
Calculation for	2/3 ordinary award	1/3 ordinary award
Share price at grant date – €	1.39	1.39
Exercise price – €	nil	nil
Expected volatility – %	40.5	40.5
Expected life – years	2.91	2.91
Performance projection period – years	2.66	2.66
Expected dividend yield – %	2.79	2.79
Risk-free rate based on European treasury bonds rate of return – %	(0.817) p.a.	(0.817) p.a.
Fair value per share – €	1.28[(1)]	0.84[(2)]

(1) In accordance with IFRS 2, TNR is classed as a non-market performance condition. As such, the fair value has been calculated using a Black-Scholes model and does not take the expected outcome of the performance condition into account. The Company currently estimates the expected vesting outcome for the TNR award to be 100%.

(2) In accordance with IFRS 2, relative TSR is classed as a market-based performance condition. As such, projected performance and the likelihood of achieving the condition have been taken into account when calculating the fair value using a Monte-Carlo model. The model also uses assumptions for the expected volatility of comparator companies, the pairwise correlation between comparator companies and TSR performance between the start of the performance period and the date of grant.

The weighted average fair value of share options granted on 2 August 2021 is €1.13.

Expected volatility of the Company's share price was determined by calculating the historical volatility of the Company's share price over the period immediately prior to the date of grant, commensurate with the term to the end of the performance period.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED
for the six months ended 30 September 2022

7. Employee schemes continued

Equity-settled share-based payments continued

July 2022 grant

3,480,028 ordinary share awards were granted under the scheme on 18 July 2022 with a total charge for the award of €2,610,477. Charges for the awards are based on fair values calculated at the grant date and expensed on a straight-line basis over the period that individuals are providing service to the Company in respect of the awards. For the 18 July 2022 LTIP grant an expense of €179,000 is recognised in the half year condensed consolidated income statement to 30 September 2022.

The following assumptions were used in calculating the fair value per share for the TNR and TSR elements of the awards that were granted on 18 July 2022:

	TNR	TSR
Valuation methodology	Black-Scholes	Monte-Carlo
Calculation for	2/3 ordinary award	1/3 ordinary award
Share price at grant date – €	1.05	1.05
Exercise price – €	nil	nil
Expected volatility – %	41.2	41.2
Expected life – years	2.95	2.95
Performance projection period – years	2.70	2.70
Expected dividend yield – %	4.21	4.21
Risk-free rate based on European treasury bonds rate of return – %	(0.609) p.a.	(0.609) p.a.
Fair value per share – €	0.93(1)	0.40(2)

(1) In accordance with IFRS 2, TNR is classed as a non-market performance condition. As such, the fair value has been calculated using a Black-Scholes model and does not take the expected outcome of the performance condition into account. The Company currently estimates the expected vesting outcome for the TNR award to be 100%.

(2) In accordance with IFRS 2, relative TSR is classed as a market-based performance condition. As such, projected performance and the likelihood of achieving the condition have been taken into account when calculating the fair value using a Monte-Carlo model. The model also uses assumptions for the expected volatility of comparator companies, the pairwise correlation between comparator companies and TSR performance between the start of the performance period and the date of grant.

The weighted average fair value of share options granted on 18 July 2022 is €0.75.

Expected volatility of the Company's share price was determined by calculating the historical volatility of the Company's share price over the period immediately prior to the date of grant, commensurate with the term to the end of the performance period.

2021 SIP

Another SIP for the benefit of senior employees was approved in 2021. Awards granted under the SIP are made in the form of a conditional right to receive a specified number of shares for nil cost which vest after the three year performance period (on 1 March 2025 for the 2021 award) with vested awards being subject to a further restricted period of one year when shares cannot be sold. Awards are subject to adjusted net asset value per share ("TNR") (two-thirds of award) and relative total shareholder return ("TSR") (one-third of award) performance conditions. Awards are equity settled. The employees' tax obligation will be determined upon the vesting date of the share issue.

September 2021 grant

3,074,500 ordinary share awards were granted under the scheme on 7 September 2021 with a total charge for the award of €3,735,689. Charges for the awards are based on fair values calculated at the grant date and expensed on a straight-line basis over the period that individuals are providing service to the Company in respect of the awards. For the 7 September 2021 SIP grant an expense of €538,000 is recognised in the half year condensed consolidated income statement 30 September 2022.

7. Employee schemes continued

Equity-settled share-based payments continued

September 2021 grant continued

The following assumptions were used in calculating the fair value per share for the TNR and TSR elements of the awards that were granted on 7 September 2021:

	TNR	TSR
Valuation methodology	Black-Scholes	Monte-Carlo
Calculation for	2/3 ordinary award	1/3 ordinary award
Share price at grant date – €	1.49	1.49
Exercise price – €	n/a	n/a
Expected volatility – %	40.7	40.7
Expected life – years	3.48	3.48
Performance projection period – years	2.56	2.56
Expected dividend yield – %	2.60	2.60
Risk-free rate based on European treasury bonds rate of return – %	(0.737) p.a.	(0.737) p.a.
Fair value per share – €	1.36(1)	0.92(2)

(1) In accordance with IFRS 2, TNR is classed as a non-market performance condition. As such, the fair value has been calculated using a Black-Scholes model and does not take the expected outcome of the performance condition into account. The Company currently estimates the expected vesting outcome for the TNR award to be 100%.

(2) In accordance with IFRS 2, relative TSR is classed as a market-based performance condition. As such, projected performance and the likelihood of achieving the condition have been taken into account when calculating the fair value using a Monte-Carlo model. The model also uses assumptions for the expected volatility of comparator companies, the pairwise correlation between comparator companies and TSR performance between the start of the performance period and the date of grant.

The weighted average fair value of share options granted on 7 September 2021 is €1.21.

Expected volatility of the Company's share price was determined by calculating the historical volatility of the Company's share price over the period immediately prior to the date of grant, commensurate with the term to the end of the performance period.

April 2022 grant

30,000 ordinary share awards were granted under the scheme on 1 April 2022 with a total charge for the award of €36,657. Charges for the awards are based on fair values calculated at the grant date and expensed on a straight-line basis over the period that individuals are providing service to the Company in respect of the awards. For the 1 April 2022 SIP grant an expense of €6,000 is recognised in the half year condensed consolidated income statement 30 September 2022.

The following assumptions were used in calculating the fair value per share for the TNR and TSR elements of the awards that were granted on 1 April 2022:

	TNR	TSR
Valuation methodology	Black-Scholes	Monte-Carlo
Calculation for	2/3 ordinary award	1/3 ordinary award
Share price at grant date – €	1.51	1.51
Exercise price – €	n/a	n/a
Expected volatility – %	32.5	32.5
Expected life – years	2.92	2.92
Performance projection period – years	2.00	2.00
Expected dividend yield – %	2.93	2.93
Risk-free rate based on European treasury bonds rate of return – %	(0.074) p.a.	(0.074) p.a.
Fair value per share – €	1.39(1)	0.89(2)

(1) In accordance with IFRS 2, TNR is classed as a non-market performance condition. As such, the fair value has been calculated using a Black-Scholes model and does not take the expected outcome of the performance condition into account. The Company currently estimates the expected vesting outcome for the TNR award to be 100%.

(2) In accordance with IFRS 2, relative TSR is classed as a market-based performance condition. As such, projected performance and the likelihood of achieving the condition have been taken into account when calculating the fair value using a Monte-Carlo model. The model also uses assumptions for the expected volatility of comparator companies, the pairwise correlation between comparator companies and TSR performance between the start of the performance period and the date of grant.

The weighted average fair value of share options granted on 1 April 2022 is €1.22.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED
for the six months ended 30 September 2022

7. Employee schemes continued
Equity-settled share-based payments continued
April 2022 grant continued

Expected volatility of the Company's share price was determined by calculating the historical volatility of the Company's share price over the period immediately prior to the date of grant, commensurate with the term to the end of the performance period.

August 2022 grant

150,000 ordinary share awards were granted under the scheme on 1 August 2022 with a total charge for the award of €124,817. Charges for the awards are based on fair values calculated at the grant date and expensed on a straight-line basis over the period that individuals are providing service to the Company in respect of the awards. For the 1 August 2022 SIP grant an expense of €8,000 is recognised in the half year condensed consolidated income statement 30 September 2022.

The following assumptions were used in calculating the fair value per share for the TNR and TSR elements of the awards that were granted on 1 August 2022:

	TNR	TSR
Valuation methodology	Black-Scholes	Monte-Carlo
Calculation for	2/3 ordinary award	1/3 ordinary award
Share price at grant date – €	1.51	1.51
Exercise price – €	n/a	n/a
Expected volatility – %	29.7	29.7
Expected life – years	2.58	2.58
Performance projection period – years	1.66	1.66
Expected dividend yield – %	3.96	3.96
Risk-free rate based on European treasury bonds rate of return – %	(0.184) p.a.	(0.184) p.a.
Fair value per share – €	1.02(1)	0.46(2)

(1) In accordance with IFRS 2, TNR is classed as a non-market performance condition. As such, the fair value has been calculated using a Black-Scholes model and does not take the expected outcome of the performance condition into account. The Company currently estimates the expected vesting outcome for the TNR award to be 100%.

(2) In accordance with IFRS 2, relative TSR is classed as a market-based performance condition. As such, projected performance and the likelihood of achieving the condition have been taken into account when calculating the fair value using a Monte-Carlo model. The model also uses assumptions for the expected volatility of comparator companies, the pairwise correlation between comparator companies and TSR performance between the start of the performance period and the date of grant.

The weighted average fair value of share options granted on 1 August 2022 is €0.83.

Expected volatility of the Company's share price was determined by calculating the historical volatility of the Company's share price over the period immediately prior to the date of grant, commensurate with the term to the end of the performance period.

Number of share awards

Movements in the number of awards outstanding are as follows:

	Unaudited six months ended 30 September 2022		Audited year ended 31 March 2022	
	Number of share awards	**Weighted average exercise price €000**	Number of share awards	Weighted average exercise price €000
Balance outstanding as at the beginning of the period (nil exercisable)	**15,278,619**	**—**	15,584,750	—
Maximum granted during the period	**3,753,067**	**—**	7,302,831	—
Forfeited during the period	**—**	**—**	(195,000)	—
Exercised during the period	**(1,620,093)**	**—**	(4,934,934)	—
Shares surrendered to cover employee tax obligations	**(1,391,585)**	**—**	(2,479,028)	—
Balance outstanding as at period end (nil exercisable)	**16,020,008**	**—**	15,278,619	—

7. Employee schemes continued

Employee benefit schemes

A reconciliation of share-based payments and employee benefit schemes and their impact on the condensed consolidated income statement is as follows:

	Unaudited six months ended 30 September 2022 €000	Unaudited six months ended 30 September 2021 €000
Charge relating to 2018 LTIP – June 2019 grant	—	383
Charge relating to 2018 LTIP – June 2020 grant	405	405
Charge relating to 2021 LTIP – August 2021 grant	811	261
Charge relating to 2021 LTIP – July 2022 grant	179	—
Charge relating to 2019 SIP – August 2019 grant	—	284
Charge relating to 2021 SIP – September 2021 grant	538	70
Charge relating to 2021 SIP – April 2022 grant	6	—
Charge relating to 2021 SIP – August 2022 grant	8	—
Total condensed consolidated income statement charge relating to LTIP and SIP	**1,947**	1,403

An amount of €1,947,000 (30 September 2021: €1,403,000) is recognised in other distributable reserves as per the condensed consolidated statement of changes in equity. In addition, an amount of €1,686,000 has been paid for participants' tax liabilities in relation to share-based payment schemes.

8. Finance income, finance expense and change in fair value of derivative financial instruments

	Unaudited six months ended 30 September 2022 €000	Unaudited six months ended 30 September 2021 €000
Bank interest income	18	42
Finance income from associates	1,111	1,554
Finance income	**1,129**	1,596
Bank loan interest expense	(6,839)	(4,136)
Interest expense related to lease liabilities (see note 15)	(533)	(143)
Amortisation of capitalised finance costs	(1,625)	(1,016)
Total interest expense	**(8,997)**	(5,295)
Bank charges and bank interest expense on deposits	(252)	(473)
Refinancing costs, exit fees and prepayment penalties	—	(5,579)
Other finance costs	**(252)**	(6,052)
Finance expense	**(9,249)**	(11,347)
Change in fair value of derivative financial instruments	1,244	160
Net finance expense	**(6,876)**	(9,591)

Included within refinancing costs are exit fees and early prepayment penalties of €nil (30 September 2021: €5,579,000) that directly related to the early repayment of loans.

The change in fair value of derivative financial instruments of €1,244,000 (30 September 2021: €160,000) reflects the change in the market valuation of these financial instruments.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED
for the six months ended 30 September 2022

9. Taxation

Condensed consolidated income statement

	Unaudited six months ended 30 September 2022 €000	Unaudited six months ended 30 September 2021 €000
Current income tax		
Current income tax charge	**(2,021)**	(1,773)
Current income tax charge relating to disposal of investment properties	**(52)**	–
Adjustment in respect of prior periods[1]	**1,722**	93
Total current income tax	**(351)**	(1,680)
Deferred tax		
Relating to origination and reversal of temporary differences	**(5,322)**	(8,706)
Total deferred tax	**(5,322)**	(8,706)
Income tax charge reported in the income statement	**(5,673)**	(10,386)

(1) In the current period, the Group identified an error in the accrual of tax liabilities arising in BizSpace as at 31 March 2022, resulting in an overstatement of the tax liability of €5.0 million of which €3.0 million arose on acquisition. These were assessed as not being material to the 31 March 2022 financial statements and the reduction in the liability has been recorded in the current period. The amounts have been recorded within administrative expenses under exceptional items (see note 5) and the taxation line of the income statement.

The German corporation tax rate of 15.825% is used in the tax reconciliation for the Group. Taxation for other jurisdictions is calculated at the rates prevailing in each jurisdiction.

Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	Unaudited 30 September 2022 €000	Audited 31 March 2022 €000	**Unaudited 30 September 2022 €000**	Audited 31 March 2022 €000	**Unaudited 30 September 2022 €000**	Audited 31 March 2022 €000
Revaluation of investment property	**–**	–	**(101,206)**	(95,411)	**(101,206)**	(95,411)
Rent free adjustments	**–**	–	**(644)**	(640)	**(644)**	(640)
Capitalised own works	**–**	–	**(55)**	(55)	**(55)**	(55)
Hedging (swaps)	**–**	–	**(249)**	(52)	**(249)**	(52)
Fair value adjustment on leased investment properties	**3,935**	4,059	**(3,981)**	(4,283)	**(46)**	(224)
Tax losses	**20,845**	20,330	**–**	–	**20,845**	20,330
Fixed asset temporary differences	**135**	159	**–**	–	**135**	159
Deferred tax assets/(liabilities)	**24,915**	24,548	**(106,135)**	(100,441)	**(81,220)**	(75,893)

In respect of IFRS 16, deferred tax had not previously been recognised due to the application of the initial recognition exemption. On 7 May 2021, the IASB issued "Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)", which amends the application of the initial recognition exemption for transactions giving rise to offsetting deferred tax assets and deferred tax liabilities. A deferred tax liability has been recognised on the IFRS 16 right of use asset and a deferred tax asset in respect of the IFRS 16 lease liability resulting in a net deferred tax liability recognised as at 30 September 2022 and 31 March 2022. The amendments to the initial recognition exemption under IAS 12 are effective for accounting periods beginning on or after 1 January 2023 and have been adopted early. The early adoption of this did not have a material impact on the interim financial statements of the Group.

9. Taxation continued

Deferred tax assets and liabilities continued

Movement in deferred tax during the period is as follows:

	Audited 31 March 2022 €000	Recognised in income €000	Exchange differences €000	Acquisition of a subsidiary €000	**Unaudited 30 September 2022 €000**
Revaluation of investment property	(95,411)	(5,795)	–	–	**(101,206)**
Rent free adjustments	(640)	(4)	–	–	**(644)**
Capitalised own works	(55)	–	–	–	**(55)**
Hedging (swaps)	(52)	(197)	–	–	**(249)**
Fair value adjustment on leased investment properties	(224)	178	–	–	**(46)**
Tax losses	20,330	515	–	–	**20,845**
Fixed asset temporary differences	159	(19)	(5)	–	**135**
Other short-term temporary differences	–	–	–	–	**–**
Total	(75,893)	(5,322)	(5)	–	**(81,220)**

	Audited 31 March 2021 €000	Recognised in income €000	Exchange differences €000	Acquisition of a subsidiary €000	Audited 31 March 2022 €000
Revaluation of investment property	(73,946)	(8,646)	–	(12,819)	(95,411)
Rent free adjustments	(570)	(70)	–	–	(640)
Capitalised own works	(43)	(12)	–	–	(55)
Hedging (swaps)	249	(301)	–	–	(52)
Fair value adjustment on leased investment properties	–	(5,697)	–	5,473	(224)
Tax losses	17,979	2,272	(2)	81	20,330
Fixed asset temporary differences	–	(1,128)	(32)	1,319	159
Other short-term temporary differences	–	(1,245)	(31)	1,276	–
Total	(56,331)	(14,827)	(65)	(4,670)	(75,893)

The Group has not recognised a deferred tax asset on €256 million (31 March 2022: €257 million) of tax losses carried forward and future share scheme deductions due to uncertainties over recovery. There is no expiration date on €256 million of the losses and future share scheme tax deductions will convert to tax losses on realisation.

A change in ownership of the Group may result in restriction on the Group's ability to use tax losses in certain tax jurisdictions.

The Group elected to join the UK REIT regime with effect from 1 April 2022. Income and gains from the Group's UK property business are exempt from UK corporation tax provided that the Group meets a number of conditions, including distributing at least 90% of the Group's UK tax exempt income profits as property income distributions ("PIDs"). The business in Germany and the residual business in the UK are subject to corporation tax.

A deferred tax liability is recognised on temporary differences of €nil (31 March 2022: €nil) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED
for the six months ended 30 September 2022

9. Taxation continued
Deferred tax assets and liabilities continued
Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Assets		Liabilities		Net	
	Unaudited 30 September 2022 €000	Audited 31 March 2022 €000	**Unaudited 30 September 2022 €000**	Audited 31 March 2022 €000	**Unaudited 30 September 2022 €000**	Audited 31 March 2022 €000
UK	**135**	159	**—**	—	**135**	159
Germany	**24,780**	24,389	**(106,135)**	(100,441)	**(81,355)**	(76,052)
Cyprus	**—**	—	**—**	—	**—**	—
Deferred tax assets/(liabilities)	**24,915**	24,548	**(106,135)**	(100,441)	**(81,220)**	(75,893)

	Assets		Liabilities		Net	
	Unaudited 30 September 2022 €000	Audited 31 March 2022 €000	**Unaudited 30 September 2022 €000**	Audited 31 March 2022 €000	**Unaudited 30 September 2022 €000**	Audited 31 March 2022 €000
UK	**—**	—	**(526)**	(7,316)	**(526)**	(7,316)
Germany	**—**	—	**(4,232)**	(2,690)	**(4,232)**	(2,690)
Cyprus	**—**	—	**(220)**	(417)	**(220)**	(417)
Current tax assets/(liabilities)	**—**	—	**(4,978)**	(10,423)	**(4,978)**	(10,423)

10. Earnings per share

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

	Unaudited six months ended 30 September 2022 €000	Unaudited six months ended 30 September 2021 €000
Earnings attributable to the owners of the Company		
Basic earnings	**70,008**	67,738
Diluted earnings	**70,008**	67,738
EPRA earnings	**41,226**	32,550
Diluted EPRA earnings	**41,226**	32,550
Headline earnings	**42,642**	27,035
Diluted headline earnings	**42,642**	27,035
Adjusted		
Basic earnings	**70,008**	67,738
Deduct gain on revaluation of investment properties	**(26,812)**	(48,414)
(Deduct gain)/add loss on disposal of properties	**(4,801)**	400
Deduct recoveries from prior disposals of subsidiaries (net of related tax)	**—**	(94)
Tax in relation to the gain on revaluation of investment properties and gain on disposal of properties above less REIT related tax effects	**5,546**	8,610
Non-controlling interest ("NCI") relating to revaluation (net of related tax)	**46**	42
Deduct revaluation gain on investment property relating to associates	**(1,868)**	(1,665)
Tax in relation to the revaluation gain on investment property relating to associates above	**523**	418
Headline earnings after tax	**42,642**	27,035
Deduct change in fair value of derivative financial instrument (net of related tax and NCI)	**(1,416)**	(64)
Deduct revaluation expense relating to leased investment properties	**(919)**	(3,083)
Add adjusting items (net of related tax and NCI)[1]	**2,987**	6,974
Adjusted earnings after tax	**43,294**	30,862
Number of shares		
Weighted average number of ordinary shares for the purpose of basic, headline, adjusted and basic EPRA earnings per share	**1,167,383,139**	1,052,600,936
Weighted average number of ordinary shares for the purpose of diluted earnings, diluted headline earnings, diluted adjusted earnings and diluted EPRA earnings per share	**1,183,403,147**	1,070,514,305
Basic earnings per share	**6.00c**	6.44c
Diluted earnings per share	**5.92c**	6.33c
Basic EPRA earnings per share	**3.53c**	3.09c
Diluted EPRA earnings per share	**3.48c**	3.04c
Headline earnings per share	**3.65c**	2.57c
Diluted headline earnings per share	**3.60c**	2.53c
Adjusted earnings per share	**3.71c**	2.93c
Adjusted diluted earnings per share	**3.66c**	2.88c

(1) See reconciliation between adjusting items as stated within earnings per share and those stated within administrative expenses in note 5.

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10. Earnings per share continued

	Notes	Unaudited six months ended 30 September 2022 €000	Unaudited six months ended 30 September 2021 €000
Exceptional items	5	**1,040**	(8)
Refinancing costs, exit fees and prepayment penalties	8	**—**	5,579
LTIP and SIP	5	**1,947**	1,403
Adjusting items as per note 10		**2,987**	6,974

The following table shows the reconciliation of basic to headline earnings, separately disclosing the impact before tax (gross column) and after tax (net column):

	Unaudited six months ended 30 September 2022		Unaudited six months ended 30 September 2021	
	Gross €000	Net €000	Gross €000	Net €000
Basic earnings		**70,008**		67,738
Deduct gain on revaluation of investment properties	**(26,812)**	**(21,318)**	(48,414)	(39,804)
(Deduct gain)/add loss on disposal of properties	**(4,801)**	**(4,749)**	400	400
Deduct recoveries from prior disposals of subsidiaries	**—**	**—**	(94)	(94)
NCI relating to revaluation	**52**	**46**	50	42
Deduct revaluation gain on investment property relating to associates	**(1,868)**	**(1,345)**	(1,665)	(1,247)
Headline earnings		**42,642**		27,035

EPRA earnings

	Unaudited six months ended 30 September 2022 €000	Unaudited six months ended 30 September 2021 €000
Basic and diluted earnings attributable to owners of the Company	**70,008**	67,738
Gain on revaluation of investment properties	**(26,812)**	(48,414)
(Deduct gain)/add loss on disposal of properties (net of related tax)	**(4,749)**	400
Deduct recoveries from prior disposals of subsidiaries (net of related tax)	**—**	(94)
Refinancing costs, exit fees and prepayment penalties	**—**	5,579
Change in fair value of derivative financial instruments	**(1,244)**	(160)
Deferred tax in respect of EPRA fair value movements on investment properties	**5,322**	8,706
NCI relating to revaluation (net of related tax)	**46**	42
Deduct revaluation gain on investment property relating to associates	**(1,868)**	(1,665)
Tax in relation to the revaluation gain on investment property relating to associates	**523**	418
EPRA earnings	**41,226**	32,550

For more information on EPRA earnings refer to Annex 1.

For the calculation of basic, headline, adjusted, EPRA and diluted earnings per share the number of shares has been reduced by 7,492,763 own shares held (30 September 2021: 3,295,750), which are held by an Employee Benefit Trust on behalf of the Group.

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10. Earnings per share continued

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

	Unaudited six months ended 30 September 2022	Unaudited six months ended 30 September 2021
Weighted average number of ordinary shares for the purpose of basic, basic EPRA, headline and adjusted earnings per share	**1,167,383,139**	1,052,600,936
Effect of grant of SIP shares	**3,254,500**	5,709,250
Effect of grant of LTIP shares	**12,765,508**	12,204,119
Weighted average number of ordinary shares for the purpose of diluted, diluted EPRA, diluted headline and adjusted diluted earnings per share	**1,183,403,147**	1,070,514,305

The Company has chosen to report EPRA earnings per share ("EPRA EPS"). EPRA EPS is a definition of earnings as set out by the European Public Real Estate Association. EPRA earnings represents earnings after adjusting for the revaluation of investment properties, changes in fair value of derivative financial instruments, gains/losses on disposal of properties (net of related tax), recoveries from prior disposals of subsidiaries (net of related tax), refinancing costs, exit fees and prepayment penalties (collectively the "EPRA earnings adjustments"), deferred tax in respect of the EPRA earnings adjustments, NCI relating to gain on revaluation and gain on disposal of properties (net of related tax), revaluation gain on investment property relating to associates and the related tax thereon.

11. Net asset value per share

	Unaudited 30 September 2022 €000	Audited 31 March 2022 €000
Net asset value		
Net asset value for the purpose of assets per share (assets attributable to the owners of the Company)	**1,213,113**	1,190,652
Deferred tax liabilities (see note 9)	**81,220**	75,893
Derivative financial instruments at fair value	**(1,573)**	(329)
Adjusted net asset value attributable to the owners of the Company	**1,292,760**	1,266,216
Number of shares		
Number of ordinary shares for the purpose of net asset value per share and adjusted net asset value per share	**1,167,559,601**	1,166,880,684
Number of ordinary shares for the purpose of EPRA NTA per share	**1,183,579,609**	1,182,159,303
Net asset value per share	**103.9c**	102.04c
Adjusted net asset value per share	**110.72c**	108.51c
EPRA NTA per share	**109.47c**	107.28c
Net asset value at the end of the period (basic)	**1,213,113**	1,190,652
Derivative financial instruments at fair value	**(1,573)**	(329)
Deferred tax in respect of EPRA fair value movements on investment properties	**81,220**	75,566
Intangibles as per note 14	**(4,129)**	(4,283)
Deferred tax in respect of EPRA fair value movements on investment properties in relation to investment in associates	**7,076**	6,563
EPRA NTA	**1,295,707**	1,268,169

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED
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11. Net asset value per share continued

Unaudited 30 September 2022	**EPRA NRV €000**	**EPRA NTA €000**	**EPRA NDV €000**
Net asset value as at period end (basic)	**1,213,113**	**1,213,113**	**1,213,113**
Diluted EPRA net asset value at fair value	**1,213,113**	**1,213,113**	**1,213,113**
Group			
Derivative financial instruments at fair value	**(1,573)**	**(1,573)**	**n/a**
Deferred tax in respect of EPRA fair value movements on investment properties	**81,220**	**81,220**[1]	**n/a**
Intangibles as per note 14	**n/a**	**(4,129)**	**n/a**
Fair value of fixed interest rate debt	**n/a**	**n/a**	**48,681**
Real estate transfer tax	**163,198**	**n/a**	**n/a**
Investment in associate			
Deferred tax in respect of EPRA fair value movements on investment properties	**7,076**	**7,076**[1]	**n/a**
Fair value of fixed interest rate debt	**n/a**	**n/a**	**9,762**
Real estate transfer tax	**9,353**	**n/a**	**n/a**
Total EPRA NRV, NTA and NDV	**1,472,387**	**1,295,707**	**1,271,556**
EPRA NRV, NTA and NDV per share	**124.40c**	**109.47c**	**107.43c**

Audited 31 March 2022	EPRA NRV €000	EPRA NTA €000	EPRA NDV €000
Net asset value as at period end (basic)	1,190,652	1,190,652	1,190,652
Diluted EPRA net asset value at fair value	1,190,652	1,190,652	1,190,652
Group			
Derivative financial instruments at fair value	(329)	(329)	n/a
Deferred tax in respect of EPRA fair value movements on investment properties	75,893	75,566[1]	n/a
Intangibles as per note 14	n/a	(4,283)	n/a
Fair value of fixed interest rate debt	n/a	n/a	(22,229)
Real estate transfer tax	160,692	n/a	n/a
Investment in associate			
Deferred tax in respect of EPRA fair value movements on investment properties	6,563	6,563[1]	n/a
Fair value of fixed interest rate debt	n/a	n/a	2,196
Real estate transfer tax	9,147	n/a	n/a
Total EPRA NRV, NTA and NDV	1,442,618	1,268,169	1,170,619
EPRA NRV, NTA and NDV per share	122.03c	107.28c	99.02c

(1) The Group intends to hold and does not intend in the long term to sell any of the investment properties and has excluded such deferred taxes for the whole portfolio as at period end except for deferred tax in relation to assets held for sale.

For more information on adjusted net asset value and EPRA NRV, NTA and NDV, refer to Annex 1.

The number of ordinary shares for the purpose of EPRA NRV, NTA and NDV per share is calculated as follows:

	Unaudited 30 September 2022	Audited 31 March 2022
Number of ordinary shares for the purpose of net asset value per share and adjusted net asset value per share	**1,167,559,601**	1,166,880,684
Effect of grant of SIP shares	**3,254,500**	3,074,500
Effect of grant of LTIP shares	**12,765,508**	12,204,119
Number of ordinary shares for the purpose of EPRA NRV, NTA and NDV per share	**1,183,579,609**	1,182,159,303

The number of shares has been reduced by 7,492,763 own shares held (31 March 2022: 5,280,308 shares), which are held by an Employee Benefit Trust on behalf of the Group.

12. Investment properties

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

	Unaudited 30 September 2022 €000	Audited 31 March 2022 €000
Total investment properties at book value as at the beginning of the period	**2,100,004**	1,362,192
Acquisition of a subsidiary	**—**	421,105
Additions – owned investment properties	**832**	162,844
Additions – leased investment properties	**—**	3,366
Capital expenditure and broker fees	**11,536**	22,607
Disposals	**(13,792)**	(1,808)
Reclassified as investment properties held for sale (see note 13)	**(1,000)**	(13,739)
Gain on revaluation above capex and broker fees	**27,754**	147,017
Adjustment in respect of lease incentives	**(23)**	(561)
Deficit on revaluation relating to leased investment properties	**(919)**	(5,572)
Foreign exchange differences	**(19,346)**	2,553
Total investment properties at book value as at period end(1)	**2,105,046**	2,100,004

(1) Excluding assets held for sale.

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

	Unaudited 30 September 2022 €000	Audited 31 March 2022 €000
Owned investment properties at market value per valuer's report(1)	**2,085,500**	2,079,079
Adjustment in respect of lease incentives	**(4,069)**	(4,153)
Leased investment property market value	**23,615**	25,078
Total investment properties at book value as at period end(1)	**2,105,046**	2,100,004

(1) Excluding assets held for sale.

The fair value (market value) of the Group's owned investment properties at period end has been arrived at on the basis of a valuation carried out at that date by Cushman & Wakefield LLP (31 March 2022: Cushman & Wakefield LLP), an independent valuer accredited in terms of the Royal Institution of Chartered Surveyors ("RICS"). The fee arrangement with Cushman & Wakefield LLP for the valuation of the Group's properties is fixed, subject to an adjustment for acquisitions and disposals.

The value of each of the properties has been assessed in accordance with the RICS valuation standards on the basis of market value. The methodology and assumptions used to determine the fair value of the properties are consistent with the previous period.

The weighted average lease expiry remaining across the owned portfolio in Germany as at period end was 2.7 years (31 March 2022: 2.9 years). The weighted average lease expiry remaining across the owned portfolio in the UK as at period end was 0.9 years (31 March 2022: 0.9 years). Licence agreements in the UK are rolling and are included in the valuation.

The fair value (market value) of the Group's leased investment properties as at period end has been arrived at on the basis of a valuation carried out by management using discounted cash flows similar to the approach of Cushman & Wakefield LLP.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED
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12. Investment properties continued

The reconciliation of gain on revaluation above capex as per the condensed consolidated income statement is as follows:

	Unaudited six months ended 30 September 2022 €000	Unaudited six months ended 30 September 2021 €000
Gain on revaluation above capex and broker fees	**27,754**	51,445
Adjustment in respect of lease incentives	**(23)**	52
Deficit on revaluation relating to leased investment properties	**(919)**	(3,083)
Gain on revaluation of investment properties reported in the income statement	**26,812**	48,414

Included in the gain on revaluation of investment properties reported in the income statement (excluding the revaluation effects in respect of leased investment properties) are gross gains of €41.6 million and gross losses of €14.8 million (30 September 2021: gross gains of €55.9 million and gross losses of €7.5 million).

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

All investment properties are categorised as Level 3 fair values as they use significant unobservable inputs. There have not been any transfers between levels during the period. Investment properties have been classed according to their asset type. Information on these significant unobservable inputs per class of investment property is disclosed below (excluding leased investment properties).

The valuation for owned investment properties is (including assets classified as held for sale) performed on a lease-by-lease basis due to the mixed-use nature of the sites using the discounted cash flow technique for the German portfolio and on a capitalised income basis, where income is capitalised by an appropriate yield which reflects the age, location, ownership, customer base and agreement type for the UK portfolio. This gives rise to large ranges in the inputs.

		Current rental rate per sqm €		**Market rental rate per sqm €**		**Occupancy %**		**Gross initial yield %**		**Net initial yield %**		**Discount factor %**		**Void period months**	
Unaudited 30 September 2022	**Market value €000**	**Low**	**High**	**Low**	**High**	**Low**	**High**	**Low**	**High**	**Low**	**High**	**Low**	**High**	**Low**	**High**
Traditional business parks															
Mature	**383,800**	**2.67**	**8.48**	**2.65**	**7.68**	**92.4**	**100.0**	**4.0**	**8.9**	**3.2**	**7.0**	**3.9**	**5.9**	**6**	**12**
Value add	**582,000**	**—[1]**	**8.16**	**3.54**	**8.46**	**—[1]**	**95.3**	**—[1]**	**10.9**	**(3.6)[1]**	**8.4**	**4.3**	**7.1**	**9**	**18**
Total traditional business parks	**965,800**	**—[1]**	**8.48**	**2.65**	**8.46**	**—[1]**	**100.0**	**—[1]**	**10.9**	**(3.6)[1]**	**8.4**	**3.9**	**7.1**	**6**	**18**
Modern business parks															
Mature	**202,700**	**5.38**	**8.26**	**3.83**	**7.95**	**95.0**	**100.0**	**5.0**	**10.4**	**4.1**	**9.0**	**3.9**	**5.3**	**6**	**15**
Value add	**211,600**	**2.81**	**9.04**	**3.87**	**10.22**	**74.9**	**91.5**	**4.6**	**9.6**	**3.4**	**6.7**	**4.9**	**7.5**	**9**	**24**
Total modern business parks	**414,300**	**2.81**	**9.04**	**3.83**	**10.22**	**74.9**	**100.0**	**4.6**	**10.4**	**3.4**	**9.0**	**3.9**	**7.5**	**6**	**24**
Office															
Mature	**37,100**	**11.84**	**11.84**	**10.44**	**10.44**	**92.0**	**92.0**	**7.5**	**7.5**	**6.3**	**6.3**	**4.9**	**4.9**	**9**	**9**
Value add	**239,990**	**2.03**	**10.13**	**6.34**	**12.18**	**40.0**	**86.4**	**2.2**	**8.2**	**0.1**	**5.8**	**4.8**	**7.0**	**9**	**18**
Total office	**277,090**	**2.03**	**11.84**	**6.34**	**12.18**	**40.0**	**92.0**	**2.2**	**8.2**	**0.1**	**6.3**	**4.8**	**7.0**	**9**	**18**
Total Germany	**1,657,190**	**—[1]**	**11.84**	**2.65**	**12.18**	**—[1]**	**100.0**	**—[1]**	**10.9**	**(3.6)[1]**	**9.0**	**3.9**	**7.5**	**6**	**24**

12. Investment properties continued

Unaudited 30 September 2022	Market value €000	Current rental rate per sqm € Low	Current rental rate per sqm € High	Market rental rate per sqm € Low	Market rental rate per sqm € High	Occupancy % Low	Occupancy % High	Net initial yield % Low	Net initial yield % High	Void period months Low	Void period months High
Total mixed-use schemes	**109,258**	**—(1)**	**23.23**	**5.54**	**22.91**	**—(1)**	**96.0**	**—(1)**	**10.9**	**4**	**12**
Total office	**146,262**	**5.89**	**30.24**	**7.90**	**25.21**	**38.2**	**100.0**	**—(1)**	**18.2**	**4**	**12**
Total industrial	**173,046**	**1.75**	**10.54**	**2.39**	**12.45**	**70.8**	**100.0**	**3.4**	**10.5**	**4**	**12**
Total UK	**428,566**	**—(1)**	**30.24**	**2.39**	**25.21**	**—(1)**	**100.0**	**—(1)**	**18.2**	**4**	**12**

(1) The Group has vacant investment properties at as period end. As a result the lower range for rental rates, occupancy and yields is 0 or lower.

Audited 31 March 2022	Market value €000	Current rental rate per sqm € Low	Current rental rate per sqm € High	Market rental rate per sqm € Low	Market rental rate per sqm € High	Occupancy % Low	Occupancy % High	Gross initial yield % Low	Gross initial yield % High	Net initial yield % Low	Net initial yield % High	Discount factor % Low	Discount factor % High	Void period months Low	Void period months High
Traditional business parks															
Mature	329,100	2.67	8.32	2.65	7.42	91.5	100.0	4.5	8.5	3.7	6.7	3.6	5.4	6	12
Value add	625,540	—(1)	8.16	3.49	8.46	—(1)	97.3	—(1)	9.0	(3.7)(1)	6.8	3.9	7.1	9	18
Total traditional business parks	954,640	—(1)	8.32	2.65	8.46	—(1)	100.0	—(1)	9.0	(3.7)(1)	6.8	3.6	7.1	6	18
Modern business parks															
Mature	195,750	5.03	8.13	3.74	7.68	91.8	100.0	5.0	9.8	4.1	8.4	3.6	5.0	6	15
Value add	213,140	2.86	10.28	3.76	10.15	74.9	97.8	2.9	9.4	1.6	6.6	4.4	7.3	9	24
Total modern business parks	408,890	2.86	10.28	3.74	10.15	74.9	100.0	2.9	9.8	1.6	8.4	3.6	7.3	6	24
Office															
Mature	10,200	10.07	10.07	9.38	9.38	87.1	87.1	6.4	6.4	5.2	5.2	4.5	4.5	9	9
Value add	266,880	2.03	11.78	6.15	12.18	40.0	92.0	2.0	9.5	—(1)	7.2	4.6	6.6	9	18
Total office	277,080	2.03	11.78	6.15	12.18	40.0	92.0	2.0	9.5	—(1)	7.2	4.5	6.6	9	18
Total Germany	1,640,610	—(1)	11.78	2.65	12.18	—(1)	100.0	—(1)	9.8	(3.7)(1)	8.4	3.6	7.3	6	24

Audited 31 March 2022	Market value €000	Current rental rate per sqm € Low	Current rental rate per sqm € High	Market rental rate per sqm € Low	Market rental rate per sqm € High	Occupancy % Low	Occupancy % High	Net initial yield % Low	Net initial yield % High	Void period months Low	Void period months High
Total mixed-use schemes	123,263	1.71	26.49	5.78	23.59	48.6	96.8	3.0	10.0	4	12
Total office	153,112	—(1)	25.38	5.83	26.50	—(1)	100.0	—(1)	10.0	4	12
Total industrial	175,394	1.04	10.94	2.39	11.24	65.1	100.0	3.0	10.0	4	12
Total UK	451,769	—(1)	26.49	2.39	26.50	—(1)	100.0	—(1)	10.0	4	12

(1) The Group acquired vacant investment properties during the year ended 31 March 2022. As a result the lower range for rental rates, occupancy and yields is 0 or lower.

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12. Investment properties continued

As a result of the level of judgement and estimates used in arriving at the market valuations, the amounts which may ultimately be realised in respect of any given property may differ from valuations shown in the statement of financial position. Key inputs are considered to be inter-related whereby changes in one key input can result in changes in other key inputs. The impact of changes in relation to the key inputs is also shown in the table below:

Unaudited 30 September 2022	Market value €000	Change of 5% in market rental rates €000		Change of 0.25% in discount rates €000		Change of 0.5% in gross initial yield €000		Change of 0.5% in net initial yield €000	
		Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
Total traditional business parks	**965,800**	**48,720**	**(49,110)**	**(19,700)**	**19,790**	**(77,583)**	**92,929**	**(102,169)**	**128,695**
Total modern business parks	**414,300**	**19,300**	**(19,680)**	**(8,050)**	**8,250**	**(30,437)**	**35,982**	**(38,576)**	**43,616**
Total office	**277,090**	**14,640**	**(14,470)**	**(5,590)**	**5,940**	**(23,120)**	**28,481**	**(29,788)**	**39,283**
Market value Germany	**1,657,190**	**82,660**	**(83,260)**	**(33,340)**	**33,980**	**(131,140)**	**157,392**	**(170,533)**	**211,594**

Unaudited 30 September 2022	Market value €000	Change of 5% in market rental rates €000		Change of 0.5% in net initial yield €000	
		Increase	Decrease	Increase	Decrease
Total mixed-use schemes	**109,258**	**90**	**(7,509)**	**(10,467)**	**4,192**
Total office	**146,262**	**8,445**	**(1,235)**	**(3,937)**	**12,153**
Total industrial	**173,046**	**6,755**	**(6,667)**	**(11,212)**	**13,105**
Market value UK	**428,566**	**15,290**	**(15,411)**	**(25,616)**	**29,450**

Audited 31 March 2022	Market value €000	Change of 5% in market rental rates €000		Change of 0.25% in discount rates €000		Change of 0.5% in gross initial yield €000		Change of 0.5% in net initial yield €000	
		Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
Total traditional business parks	954,640	48,450	(48,380)	(19,640)	20,070	(84,224)	82,247	(98,020)	126,295
Total modern business parks	408,890	19,260	(19,420)	(8,540)	8,510	(30,840)	36,820	(38,033)	48,091
Total office	277,080	14,470	(14,340)	(5,840)	5,760	(23,005)	28,467	(37,901)	27,766
Market value Germany	1,640,610	82,180	(82,140)	(34,020)	34,340	(138,069)	147,534	(173,954)	202,152

Audited 31 March 2022	Market value €000	Change of 5% in market rental rates €000		Change of 0.5% in net initial yield €000	
		Increase	Decrease	Increase	Decrease
Total mixed-use schemes	123,263	3,967	(4,423)	(4,494)	4,389
Total office	153,112	5,754	(5,325)	(4,295)	5,029
Total industrial	175,394	7,139	(6,333)	(5,822)	6,843
Market value UK	451,769	16,860	(16,081)	(14,611)	16,261

13. Assets held for sale

Investment properties held for sale

	Unaudited 30 September 2022 €000	Audited 31 March 2022 €000
Magdeburg	—	13,750
Heiligenhausen Land	1,000	—
Balance as at period end	**1,000**	13,750

The disclosures regarding valuation in note 12 are also applicable to assets held for sale. As at 31 March 2022, an amount of €13,750,000 relating to the sale of the Magdeburg asset was received prior to the completion date of 1 April 2022 and was included in the cash at bank per note 19. As a result, an equal and opposite position within other payables was recognised. See note 20 for further details.

14. Intangible assets

	Unaudited 30 September 2022 €000	Audited 31 March 2022 €000
Software and licences	4,129	4,283
Balance as at period end	**4,129**	4,283

15. Right of use assets and lease liabilities

Set out below are the carrying amounts of right of use assets (excluding those classified as investment properties) recognised and the movements during the period:

	Office €000	Total €000
As at 31 March 2021 (audited)	1,919	1,919
Depreciation expense	(260)	(260)
As at 30 September 2021 (unaudited)	1,659	1,659
Additions	15,047	15,047
Depreciation expense	(583)	(583)
Lease modifications(1)	(1,127)	(1,127)
As at 31 March 2022 (audited)	14,996	14,996
Additions	1,450	1,450
Depreciation expense	(1,141)	(1,141)
Foreign exchange differences	(46)	(46)
As at 30 September 2022 (unaudited)	**15,259**	**15,259**

(1) Lease modifications relate to the early termination of the head office lease.

In addition to office spaces the Group is also counterparty to long-term leasehold agreements and head leases relating to commercial property. Right of use assets amounting to €23,615,000 (31 March 2022: €25,078,000) are classified as investment properties, of which €3,180,000 (31 March 2022: €3,979,000) relate to commercial property.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED
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15. Right of use assets and lease liabilities continued

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	Unaudited 30 September 2022 €000	Audited 31 March 2022 €000
Balance as at the beginning of the period	**(38,661)**	(14,987)
Acquisition of a subsidiary	**—**	(12,182)
Accretion of interest	**(533)**	(479)
Additions	**(1,400)**	(18,413)
Lease modifications[1]	**—**	1,127
Payments	**1,308**	6,350
Foreign exchange differences	**595**	(77)
Balance as at period end	**(38,691)**	(38,661)
Current lease liabilities as at period end	**(1,458)**	(1,090)
Non-current lease liabilities as at period end	**(37,233)**	(37,571)

(1) Lease modifications relate to the early termination of the head office lease.

The following table sets out the carrying amount, by maturity, of the Group's lease liabilities:

Unaudited 30 September 2022	**Within 1 year €000**	**1–5 years €000**	**5+ years €000**	**Total €000**
Commercial property[1]	**(243)**	**(956)**	**(399)**	**(1,598)**
Long-term leasehold[1]	**(240)**	**(1,017)**	**(19,179)**	**(20,436)**
Office space	**(975)**	**(7,503)**	**(8,179)**	**(16,657)**
Total	**(1,458)**	**(9,476)**	**(27,757)**	**(38,691)**

Audited 31 March 2022	Within 1 year €000	1–5 years €000	5+ years €000	Total €000
Commercial property[1]	(667)	(945)	(528)	(2,140)
Long-term leasehold[1]	(239)	(1,013)	(19,848)	(21,100)
Office space	(184)	(6,197)	(9,040)	(15,421)
Total	(1,090)	(8,155)	(29,416)	(38,661)

(1) These lease liabilities relate to right of use assets recorded as investment properties.

The overall weighted average discount rate used for the period is 2.7% (31 March 2022: 2.3%).

16. Other non-current financial assets

	Unaudited 30 September 2022 €000	Audited 31 March 2022 €000
Guarantees and deposits	**4,057**	4,052
Loans to associates	**44,352**	44,278
Balance as at period end	**48,409**	48,330

Loans to associates relate to shareholder loans granted to associates by the Group. The loans terminate on 31 December 2026, are fully subordinated and are charged at a fixed interest rate. The expected credit loss has been considered based on multiple factors such as history of repayments, forward looking budgets and forecasts. Based on the assessment the expected credit loss was immaterial.

17. Investment in associates

The principal activity of the associates is the investment in, and development of, commercial property located in Germany and to provide conventional and flexible workspace. Since the associates are individually immaterial the Group is disclosing aggregated information for the associates.

The following table illustrates the summarised financial information of the Group's investment in associates:

	Unaudited 30 September 2022 €000	Audited 31 March 2022 €000
Current assets	**23,123**	20,031
Non-current assets	**356,813**	349,796
Current liabilities	**(12,242)**	(10,406)
Non-current liabilities	**(296,061)**	(294,121)
Equity	**71,633**	65,300
Unrecognised accumulated losses	**4,765**	3,679
Subtotal	**76,398**	68,979
Group's share in equity – 35%	**26,739**	24,142

	Unaudited six months ended 30 September 2022 €000	Audited year ended 31 March 2022 €000
Net operating income	**9,965**	19,872
Gain on revaluation of investment properties	**4,226**	18,856
Administrative expense	**(1,709)**	(3,001)
Operating profit	**12,482**	35,727
Net finance costs	**(4,409)**	(9,753)
Profit before tax	**8,073**	25,974
Taxation	**(1,731)**	(4,166)
Unrecognised loss/(profit)	**1,077**	(1,978)
Total profit and comprehensive income for the period after tax	**7,419**	19,830
Group's share of profit for the period – 35%	**2,597**	6,940

The Group's share of profit for the six months ended 30 September 2021 was €2,463,000.

Included within the non-current liabilities are shareholder loans amounting to €126,719,000 (31 March 2022: €126,509,000). As at period end no contingent liabilities existed (31 March 2022: none). The associates had contracted capital expenditure for development and enhancements of €278,000 as at period end (31 March 2022: €2,010,000).

The following table illustrates the movement in investment in associates:

	Unaudited 30 September 2022 €000	Audited 31 March 2022 €000
Balance as at the beginning of the period	**24,142**	17,202
Share of profit	**2,597**	6,940
Balance as at period end	**26,739**	24,142

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18. Trade and other receivables

	Unaudited 30 September 2022 €000	Audited 31 March 2022 €000
Gross trade receivables	**14,521**	18,791
Expected credit loss provision (see note 5)	**(7,362)**	(7,722)
Net trade receivables	**7,159**	11,069
Other receivables	**10,361**	8,865
Prepayments	**6,900**	4,637
Balance as at period end	**24,420**	24,571

Other receivables include lease incentives of €4,069,000 (31 March 2022: €4,036,000) and accrued service charge income of €4,453,000 (31 March 2022: €965,000).

Prepayments include costs of €3,639,000 relating to the acquisitions of new sites in Düsseldorf and Dreieich that were notarised before 30 September 2022 and have completed in the second half of the financial year (31 March 2022: €1,860,000 relating to the acquisition of a new site in Düsseldorf that was notarised before 31 March 2022).

19. Cash and cash equivalents

	Unaudited 30 September 2022 €000	Audited 31 March 2022 €000
Cash at bank	**138,641**	127,285
Restricted cash	**23,457**	23,681
Balance as at period end	**162,098**	150,966

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash as at period end is €162,098,000 (31 March 2022: €150,966,000). Cash is held by reputable banks and the Group assessed the expected credit loss to be immaterial.

The following table illustrates the breakdown of cash held in restricted accounts:

	Unaudited 30 September 2022 €000	Audited 31 March 2022 €000
Deposits received from tenants	**21,986**	22,210
Office rent deposits	**131**	131
Deposit for bank guarantees	**1,340**	1,340
Total	**23,457**	23,681

The majority of the restricted cash is in relation to tenant deposits. Tenants' deposits are legal securities of tenants retained by the Group without the right to use these cash deposits for purposes other than strictly tenant related transactions (e.g. move-out costs, costs due to non-compliance with certain terms of the lease agreement or late rent/service charge payments).

20. Trade and other payables

	Unaudited 30 September 2022 €000	Audited 31 March 2022 €000
Trade payables	**1,107**	6,488
Accrued expenses	**31,725**	25,093
Interest and amortisation payable	**5,953**	5,625
Tenant deposits	**21,986**	22,210
Unearned revenue	**10,730**	7,913
Other payables	**5,492**	22,006
Balance as at period end	**76,993**	89,335

20. Trade and other payables continued

Accrued expenses include costs totalling €14,363,000 (31 March 2022: €10,279,000) relating to service charge costs that have not been invoiced to the Group.

Included within other payables are mainly credit balances due to tenants in relation to over collections of service charge in amount of €738,000 (31 March 2022: €2,624,000). As at 31 March 2022, other payables included €13,750,000 of proceeds relating to the sale of the Magdeburg asset that was categorised as an asset held for sale at 31 March 2022 in advance of the completion date of 1 April 2022. See note 13 for details of assets held for sale.

Unearned revenue includes service charge amounts of €2,966,000 (31 March 2022: €1,164,000). Service charge income is only recognised as income when the performance obligations are met. All unearned revenue of the prior period was recognised as revenue in the current period.

21. Interest-bearing loans and borrowings

	Interest rate %	Loan maturity date	Unaudited 30 September 2022 €000	Audited 31 March 2022 €000
Current				
Berlin Hyp AG				
– fixed rate facility	1.48	31 October 2023	**1,923**	1,909
– fixed rate facility	0.90	31 October 2023	**1,487**	1,480
Saarbrücken Sparkasse				
– fixed rate facility	1.53	28 February 2025	**777**	771
Deutsche Pfandbriefbank AG				
– hedged floating rate facility	Hedged(1)	31 December 2023	**1,110**	1,111
– floating rate facility	Floating(1)	31 December 2023	**140**	140
Schuldschein				
– floating rate facility	Floating(2)	5 December 2022	**5,000**	5,000
– floating rate facility	Floating(2)	6 January 2023	**10,000**	10,000
– fixed rate facility	1.60	3 July 2023	**20,000**	—
Capitalised finance charges on all loans			**(3,194)**	(781)
			37,243	19,630
Non-current				
Berlin Hyp AG				
– fixed rate facility	1.48	31 October 2023	**57,263**	58,228
– fixed rate facility	0.90	31 October 2023	**109,618**	110,363
Saarbrücken Sparkasse				
– fixed rate facility	1.53	28 February 2025	**13,868**	14,258
Deutsche Pfandbriefbank AG				
– hedged floating rate facility	Hedged(1)	31 December 2023	**50,501**	51,056
– floating rate facility	Floating(1)	31 December 2023	**6,171**	6,241
Schuldschein				
– floating rate facility	Floating(2)	6 January 2025	**5,000**	5,000
– fixed rate facility	1.70	3 March 2025	**10,000**	10,000
– fixed rate facility	1.60	3 July 2023	**—**	20,000
Corporate bond I				
– fixed rate	1.125	22 June 2026	**400,000**	400,000
Corporate bond II				
– fixed rate	1.75	24 November 2028	**300,000**	300,000
Capitalised finance charges on all loans			**(9,245)**	(13,283)
			943,176	961,863
Total			**980,419**	981,493

(1) Tranche 1 of this facility is fully hedged with a swap charged at a rate of 1.40%; tranche 2 of this facility is fully hedged with a swap charged at a rate of 1.25%; and €19.1 million of tranche 3 of this facility is fully hedged with a swap charged at a rate of 0.91%. A €6.5 million extension and the tranche 3 related €0.5 million arrangement fee are charged with a floating rate of 1.20% over three month EURIBOR (not less than 0%).

(2) This unsecured facility has a floating rate of 1.50% over six month EURIBOR (not less than 0%) for the first two tranches and a floating rate of 1.70% over six month EURIBOR (not less than 0%) for tranche 3.

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21. Interest-bearing loans and borrowings continued

The Group has pledged 15 (31 March 2022: 15) investment properties to secure several separate interest-bearing debt facilities granted to the Group. The 15 (31 March 2022: 15) properties had a combined valuation of €513,168,000 as at period end (31 March 2022: €504,709,000). The Group's loans are subject to various covenants with which the Group had complied and had a sufficient level of headroom as at period end.

Berlin Hyp AG

On 20 October 2016, the Group concluded an agreement with Berlin Hyp AG to refinance and extend a facility which had an outstanding balance of €39.2 million at 30 September 2016. The facility totals €70.0 million and was scheduled to terminate on 29 October 2023. Amortisation was 2.5% per annum with the remainder due at maturity. The facility was charged with an all-in fixed interest rate of 1.48% for the full term of the loan. The facility was secured over six property assets. The loan was subject to various covenants with which the Group had complied. On 13 September 2019, the facility was incorporated into the agreement as detailed below. As a result, the maturity date of the loan was extended to 31 October 2023 with all other conditions remaining unchanged.

On 13 September 2019, the Group agreed to a facility agreement with Berlin Hyp AG for €115.4 million. The loan terminates on 31 October 2023. Amortisation is 1.25% per annum with the remainder due in the fourth year. The loan facility is charged at a fixed interest rate of 0.90%. This facility is secured over nine property assets. The facility is subject to various covenants with which the Group has complied.

On 31 August 2022, the Group concluded an agreement with Berlin Hyp AG to refinance the existing facility with a new facility which amounts to €170.0 million. The new facility is a separate financial instrument to the existing facility and will come into effect on 1 November 2023 with a term of seven years and a fixed interest rate of 4.26%.

Saarbrücken Sparkasse

On 28 March 2018, the Group agreed to a facility agreement with Saarbrücken Sparkasse for €18.0 million. The loan terminates on 28 February 2025. Amortisation is 4.0% per annum with the remainder due in one instalment on the final maturity date. The facility is charged with an all-in fixed interest rate of 1.53% for the full term of the loan. The facility is secured over one property asset and is subject to various covenants with which the Group has complied. No changes to the terms of the facility have occurred during the six month period ended 30 September 2022.

Deutsche Pfandbriefbank AG

On 19 January 2019, the Group agreed to a facility agreement with Deutsche Pfandbriefbank AG for €56.0 million. Tranche 1, totalling €21.6 million, has been hedged at a rate of 1.40% until 31 December 2023 by way of an interest rate swap. A first drawdown of tranche 3 totalling €0.5 million was charged at a fixed interest rate of 1.20%. On 3 April 2019, tranche 2 was drawn down, totalling €14.8 million, and has been hedged at a rate of 1.25% until 31 December 2023 by way of an interest rate swap. On 28 June 2019, tranche 3 was drawn down, totalling €19.1 million. Tranche 3 has been hedged at a rate of 0.91% until 31 December 2023 by way of an interest rate swap. The facility is secured over five property assets and is subject to various covenants with which the Group has complied.

On 19 February 2020, the Group agreed to extend tranche 3 of its existing facility by €6.5 million. The loan is coterminous with the existing facility maturing in December 2023. The loan has been treated as a new loan and is charged with a floating interest rate of 1.20% plus three month EURIBOR (not less than 0%). Amortisation is 2% per annum with the remainder due in one instalment on the final maturity date. No changes to the terms of the facility have occurred during the six month period ended 30 September 2022.

Schuldschein

On 2 December 2019, the Group agreed new loan facilities in the form of an unsecured Schuldschein for €20.0 million. On 25 February 2020, the Group agreed new loan facilities in the form of an unsecured Schuldschein for €30.0 million. In total the unsecured facility amounts to €50.0 million spread over five tranches and is charged at a blended interest rate of 1.60% and average maturity of 2.6 years with no amortisation. The Schuldschein is subject to various covenants with which the Group has complied. No changes to the terms of the facility have occurred during the six month period ended 30 September 2022.

21. Interest-bearing loans and borrowings continued

Corporate bond I

On 22 June 2021, the Group raised its inaugural corporate bond for €400.0 million. The bond, which is listed at the Luxembourg stock exchange, has a term of five years and an interest rate of 1.125% due annually on its anniversary date, with the principal balance coming due on 22 June 2026. The corporate bond is subject to various covenants with which the Group has complied. No changes to the terms of the facility have occurred during the six month period ended 30 September 2022.

Corporate bond II

On 24 November 2021, the Group issued its second corporate bond for €300.0 million. The bond, which is listed at the Luxembourg stock exchange, has a term of seven years and an interest rate of 1.750% due annually on its anniversary date, with the principal balance coming due on 24 November 2028. The corporate bond is subject to various covenants with which the Group has complied. No changes to the terms of the facility have occurred during the six month period ended 30 September 2022.

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 (excluding assets held for sale and liabilities directly associated with assets held for sale):

		Unaudited 30 September 2022		Audited 31 March 2022	
	Fair value hierarchy level	Carrying amount €000	Fair value €000	Carrying amount €000	Fair value €000
Financial assets					
Cash and cash equivalents		**162,098**	**162,098**	150,966	150,966
Trade and other receivables[1]		**17,508**	**17,508**	19,833	19,833
Loans to associates	**2**	**44,352**	**44,352**	44,278	44,278
Derivative financial instruments	**2**	**1,573**	**1,573**	329	329
Financial liabilities					
Trade and other payables		**34,538**	**34,538**	56,329	56,329
Interest-bearing loans and borrowings[2]					
Floating rate borrowings	**2**	**26,311**	**26,311**	26,381	26,381
Floating rate borrowings – hedged[3]	**2**	**51,611**	**51,611**	52,167	52,167
Fixed rate borrowings	**2**	**914,936**	**866,255**	917,009	939,238

All amounts in the table above are carried at amortised cost except for derivative financial instruments which are held at fair value.

(1) This is made up of net trade receivables, other receivables (excluding lease incentives) and guarantees and deposits.

(2) Excludes loan issue costs.

(3) The Group holds interest rate swap contracts designed to manage the interest rate and liquidity risks of expected cash flows of its borrowings with the variable rate facilities with Deutsche Pfandbriefbank AG. Please refer to note 21 for details of swap contracts.

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22. Financial instruments continued

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 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).

The Group holds interest rate swap contracts which are reset on a quarterly 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.

The fair values of the loans and borrowings have been calculated based on a discounted cash flow model using the prevailing market rates of interest.

23. Issued share capital

Authorised	Number of shares	Share capital €
Ordinary shares of no par value	Unlimited	–
As at 30 September 2022 (unaudited) and 31 March 2022 (audited)	**Unlimited**	**–**

Issued and fully paid	Number of shares	Share capital €
As at 31 March 2021 (audited)	1,049,132,259	–
Issued ordinary shares	11,367,372	9,195,000
Transfer of share capital to other distributable reserves	–	(9,195,000)
Shares allocated by the Employee Benefit Trust	388,858	–
As at 30 September 2021 (unaudited)	1,060,888,489	–
Issued ordinary shares	107,976,753	158,185,000
Transfer of share capital to other distributable reserves	–	(158,185,000)
Shares issued to the Employee Benefit Trust	(3,557,745)	–
Shares allocated by the Employee Benefit Trust	1,573,187	–
As at 31 March 2022 (audited)	1,166,880,684	–
Issued ordinary shares	2,891,372	1,440,000
Transfer of share capital to other distributable reserves	–	(1,440,000)
Shares issued to the Employee Benefit Trust	(2,500,000)	–
Shares allocated by the Employee Benefit Trust	287,545	–
As at 30 September 2022 (unaudited)	**1,167,559,601**	**–**

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.

Pursuant to a scrip dividend offering on 13 June 2022, the Company issued 1,271,279 ordinary shares at an issue price of £0.97384 resulting in the Company's overall issued share capital being 1,175,052,364 ordinary shares.

In addition, the Company issued 1,620,093 shares in relation to the exercise of the LTIP 2018 (June 2019 grant) as per note 7.

23. Issued share capital continued

Treasury Shares held by the Employee Benefit Trust are disclosed as own shares held. During the period 2,500,000 shares were acquired and 287,545 were allocated by the Employee Benefit Trust. A total of 7,492,763 own shares purchased at an average share price of €1.1116 are held by the Employee Benefit Trust (31 March 2022: 5,280,308 shares purchased at an average share price of €1.1882). The total number of shares with voting rights was 1,175,052,364 (31 March 2022: 1,172,160,992). No votes are cast in respect of the shares held in the Employee Benefit Trust in connection with the Company's share plans and dividends paid and payable are subject to a standing waiver.

All shares issued in the period were issued under general authority. No shares were bought back in the period (31 March 2022: none) and there are no Treasury Shares held directly by the Parent Company at the period end (31 March 2022: none).

24. Other reserves

Other distributable reserve

The other distributable reserve was created for the payment of dividends and the transfer of share capital in regard to scrip dividends, share-based payment transactions and the buyback of shares and is €544,419,000 in total at period end (31 March 2022: €570,369,000).

Foreign currency translation reserve

The Group holds a foreign currency translation reserve amounting to €21,243,000 deficit (31 March 2022: €1,701,000 deficit) which relates to foreign currency translation effect during the course of the business with the UK segment.

The negative movement in the period of €19,542,000 is a result of a declining GBP rate which is lower at period end compared with 31 March 2022.

25. Dividends

On 13 June 2022, the Company announced a dividend of 2.37c per share, with a record date of 8 July 2022 for UK and South African ("SA") shareholders and payable on 18 August 2022. On the record date, 1,172,160,992 shares were in issue. Since there were no shares held in treasury, 1,172,160,992 shares (including shares held by the Employee Benefit Trust) were entitled to participate in the dividend. Holders of 61,453,275 shares elected to receive the dividend in ordinary shares under the scrip dividend alternative, representing a dividend of €1,456,000 (€1,440,000 as at settlement date) while holders of 1,110,707,717 shares opted for a cash dividend with a value of €26,324,000. The Company's Employee Benefit Trust waived its rights to the dividend, reducing the cash payable to €26,200,000 (€26,211,000 as at settlement date). The total dividend was €27,656,000 (€27,651,000 as at settlement date).

The Group's profit attributable to the equity holders of the Company for the period was €70.0 million (30 September 2021: €67.7 million). The Board has authorised a dividend relating to the six month period ended 30 September 2022 of 2.70c per share, representing 65% of FFO*.

It is expected that, for the dividend authorised relating to the six month period ended 30 September 2022, the ex-dividend date will be 7 December 2022 for shareholders on the SA register and 8 December 2022 for shareholders on the UK register. It is further expected that for shareholders on both registers the record date will be 9 December 2022 and the dividend will be paid on 19 January 2023.

To facilitate settlement of the dividend to entitled SA shareholders, share certificates may not be dematerialised or rematerialised between Wednesday, 7 December 2022 (the SA ex-dividend date) and Friday, 9 December 2022 (the record date). No transfers of shares shall be registered in the SA share register, or between the SA share register and the UK share register, between Monday, 21 November 2022 (the declaration date) and Friday, 9 December 2022. All dates are inclusive.

The dividend has been declared in EUR. Shareholders on the UK share register may choose to receive their entitlement to the dividend in cash in either EUR or GBP. Shareholders on the UK share register who do not make a valid GBP currency election will receive any entitlement to the cash dividend in EUR. Shareholders on the SA share register will receive any entitlement to the cash dividend in SA Rand ("ZAR").

The EUR to GBP conversion rate (UK share register only)

For shareholders on the UK share register who make a valid GBP currency election, the conversion rate for the purposes of calculating the dividend for the six month period ended 30 September 2022 will be a EUR to GBP rate of £0.8702.

On this basis, shareholders on the UK share register will receive a gross dividend of £2.35 (GBP) per ordinary share.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED
for the six months ended 30 September 2022

25. Dividends continued

The EUR to ZAR conversion rate (SA share register only)

For shareholders on the SA share register, the conversion rate for the purposes of calculating the dividend authorised in connection with the period ended 30 September 2022 will be 17.836 ZAR to 1 EUR.

The EUR to ZAR conversion for payment of the dividend in ZAR will be settled on Monday, 21 November 2022, using the EUR to ZAR conversion rate which has been fixed by the Company as at the close of business on Friday, 18 November 2022.

On this basis, shareholders on the SA share register will receive a gross dividend of 48.157 (ZAR cents) per ordinary share.

Information for shareholders on the SA share register

Tax

The dividend is subject to an SA dividend withholding tax ("DWT") rate of 20%, unless the shareholder is exempt from paying dividend tax or is entitled to a reduced rate in terms of the applicable double-tax agreement. The Company confirms that the net cash dividend received by SA shareholders who are not exempt from DWT of 20% is expected to be 38.525 (ZAR cents) per ordinary share.

General information

On Monday, 21 November 2022, being the declaration date of the dividend, the Company is expected to have in issue 1,175,052,364 ordinary shares carrying voting rights, and there are no shares expected to be held in treasury. The Company is incorporated in Guernsey with Company number 46442. Sirius' tax registration number in Guernsey is 1EC.956 whilst its UK tax number is GB 203993015.

The distribution is expected to be made from other distributable reserves (for the purposes of the JSE Listings Requirements, paragraph 11.17 (c), the distribution is expected to be made from income reserves).

* Adjusted profit before tax adjusted for foreign exchange effects, depreciation and amortisation (excluding depreciation relating to IFRS 16), amortisation of financing fees, adjustments in respect of IFRS 16, current tax receivable/incurred and current tax relating to disposals.

The dividend per share was calculated as follows:

	Unaudited six months ended 30 September 2022 €m	Unaudited six months ended 30 September 2021 €m
Reported profit before tax	**75.7**	78.2
Adjustments for:		
Gain on revaluation of investment properties	**(26.8)**	(48.4)
Deficit on revaluation expense relating to leased investment properties	**(0.9)**	(3.1)
(Gain)/loss on disposal of properties	**(4.8)**	0.4
Recoveries from prior disposals of subsidiaries	**—**	(0.1)
Deduct revaluation gain on investment property from associates and related tax	**(1.3)**	(1.5)
Other adjusting items(1)	**3.0**	7.0
Change in fair value of financial derivatives	**(1.2)**	(0.2)
Adjusted profit before tax	**43.7**	32.3
Adjustments for:		
Foreign exchange effects(2)	**0.3**	—
Depreciation and amortisation (excluding depreciation relating to IFRS 16)	**1.7**	0.9
Amortisation of financing fees	**1.6**	1.0
Adjustment in respect of IFRS 16	**1.5**	0.5
Current taxes incurred (see note 9)	**(0.4)**	(1.7)
Add back current tax relating to disposals	**0.1**	—
Funds from operations, six months ended 30 September	**48.5**	33.0
Dividend pool, six months ended 30 September(3)	**31.5**	21.6
Dividend per share, six months ended 30 September	**2.70c**	2.04c

(1) Includes the effect of exceptional items and share awards. See note 5 and 7 for details.

(2) Management decided to exclude foreign exchange effects from the funds from operations calculation amounting to €0.3 million (30 September 2021: €nil).

(3) Calculated as 65% of FFO of 4.15c per share (30 September 2021: 3.14c per share using 65% of FFO), based on average number of shares outstanding of 1,167,383,139 (30 September 2021: 1,052,600,936).

25. Dividends continued
Information for shareholders on the SA share register continued
General information continued
For more information on adjusted profit before tax and funds from operations, refer to Annex 1.

Calculations contained in this table are subject to rounding differences.

26. Related parties
Related parties are defined as those persons and companies that control the Group, or that are controlled, jointly managed, or subject to significant influence by the Group.

The following balances and transactions with associates exist as at the reporting date:

Condensed consolidated statement of financial position	**Unaudited 30 September 2022 €000**	Audited 31 March 2022 €000
Loans to associates	**44,352**	44,278
Trade and other receivables	**1,649**	2,527
Total	**46,001**	46,805

Trade and other receivables relate to amounts owed from the services supplied to the associates and are due to be settled in the normal course of business.

As a result of unchanged credit quality no material expected credit losses have been recognised in the period.

Condensed consolidated income statement	**Unaudited six months ended 30 September 2022 €000**	Unaudited six months ended 30 September 2021 €000
Services supplied	**7,034**	5,568
Interest income	**1,111**	1,554
Total	**8,145**	7,122

Services provided to related parties primarily relate to the provision of property and asset management services. A performance fee arrangement is in place between the associates and the Group. The performance fee was €nil during the period (30 September 2021: €nil).

27. Capital and other commitments
As at period end, the Group had contracted capital expenditure for development and enhancements on existing properties of €14,579,000 (31 March 2022: €7,846,000) and capital commitments in relation to the notarised assets in Düsseldorf and Dreieich of €40,086,000.

On 31 August 2022, the Group concluded an agreement with Berlin Hyp AG to refinance and extend the existing facility with a new facility which amounts to €170.0 million which will come to effect on 1 November 2023. The upfront fee for this facility to be paid by the Group will be €595,000.

The above noted were committed but not yet provided for in the financial statements.

28. Post balance sheet events
On 22 March 2022 the Group notarised for the acquisition of a mixed-use property in Düsseldorf, Germany, situated 2.6 km from the city's international airport. Total acquisition cost is expected to be €39.8 million. The property comprises mainly office and warehouse/light industrial space and is 55% occupied. The acquisition was completed on 1 October 2022.

On 16 June 2022 the Group notarised for the acquisition of a primarily warehouse asset located in a well-developed commercial area in Dreieich, Germany, that is strategically adjacent to an existing property owned by Sirius. Total acquisition cost is expected to be €3.9 million. The acquisition was completed on 1 October 2022.

BUSINESS ANALYSIS

Non-IFRS measures

	Unaudited six months ended 30 September 2022 €000	Unaudited six months ended 30 September 2021 €000
Total profit for the period attributable to the owners of the Company	**70,008**	67,738
Gain on revaluation of investment properties	**(26,812)**	(48,414)
Gain/(loss) on disposal of properties (net of related tax)	**(4,749)**	400
Recoveries from prior disposals of subsidiaries (net of related tax)	**–**	(94)
Add refinancing costs, exit fees and prepayment penalties	**–**	5,579
Change in fair value of derivative financial instruments	**(1,244)**	(160)
Deferred tax in respect of EPRA fair value movements on investment properties	**5,322**	8,706
NCI relating to revaluation (net of related tax)	**46**	42
Deduct revaluation gain on investment property relating to associates	**(1,868)**	(1,665)
Tax in relation to the revaluation gain on investment property relating to associates above	**523**	418
EPRA earnings	**41,226**	32,550
Add/(deduct) change in deferred tax relating to derivative financial instruments	**172**	(96)
Add change in fair value of derivative financial instruments	**1,244**	160
Deduct refinancing costs, exit fees and prepayment penalties	**–**	(5,579)
NCI in respect of the above	**–**	–
Headline earnings after tax	**42,642**	27,035
Deduct change in fair value of derivative financial instruments (net of related tax and NCI)	**(1,416)**	(64)
Deduct revaluation expense relating to leased investment properties	**(919)**	(3,083)
Add adjusting items[1] (net of related tax and NCI)	**2,987**	6,974
Adjusted earnings after tax	**43,294**	30,862

(1) See note 10 of the Interim Report.

For more information on EPRA earnings refer to Annex 1.

	Unaudited six months ended 30 September 2022 €000	Unaudited six months ended 30 September 2021 €000
EPRA earnings	**41,226**	32,550
Weighted average number of ordinary shares	**1,167,383,139**	1,052,600,936
EPRA earnings per share (cents)	**3.53**	3.09
Headline earnings after tax	**42,642**	27,035
Weighted average number of ordinary shares	**1,167,383,139**	1,052,600,936
Headline earnings per share (cents)	**3.65**	2.57
Adjusted earnings after tax	**43,294**	30,862
Weighted average number of ordinary shares	**1,167,383,139**	1,052,600,936
Adjusted earnings per share (cents)	**3.71**	2.93

ANNEX 1 – NON-IFRS MEASURES

Basis of preparation

The Directors of Sirius Real Estate Limited ("Sirius") have chosen to disclose additional non-IFRS measures; these include EPRA earnings, adjusted net asset value, EPRA net reinstatement value, EPRA net tangible assets, EPRA net disposal value, adjusted profit before tax and funds from operations (collectively "Non-IFRS Financial Information").

The Directors have chosen to disclose:

» EPRA earnings in order to assist in comparisons with similar businesses in the real estate sector. EPRA earnings is a definition of earnings as set out by the European Public Real Estate Association. EPRA earnings represents earnings after adjusting for the revaluation of investment properties, changes in fair value of derivative financial instruments, gains/losses on disposal of properties (net of related tax), recoveries from prior disposals of subsidiaries (net of related tax), refinancing costs, exit fees and prepayment penalties (collectively the "EPRA earnings adjustments"), deferred tax in respect of the EPRA earnings adjustments, NCI relating to gain on revaluation and gain on disposal of properties (net of related tax), revaluation gain on investment property relating to associates and the related tax thereon. The reconciliation between basic and diluted earnings and EPRA earnings is detailed in table A on page 60.

» Adjusted net asset value in order to assist in comparisons with similar businesses. Adjusted net asset value represents net asset value after adjusting for derivative financial instruments at fair value and deferred tax relating to valuation movements, derivative financial instruments and LTIP valuation. The reconciliation for adjusted net asset value is detailed in table B on page 60.

» EPRA net reinstatement value ("EPRA NRV") in order to assist in comparisons with similar businesses in the real estate sector. EPRA NRV is a definition of net asset value as set out by the European Public Real Estate Association. EPRA NRV represents net asset value after adjusting for derivative financial instruments at fair value, deferred tax relating to valuation movements and derivatives and real estate transfer tax presented in the Valuation Certificate (for the entire consolidated Group including wholly owned entities and investment in associates). The reconciliation for EPRA NRV is detailed in table C on page 61.

» EPRA net tangible assets ("EPRA NTA") in order to assist in comparisons with similar businesses in the real estate sector. EPRA NTA is a definition of net asset value as set out by the European Public Real Estate Association. EPRA NTA represents net asset value after adjusting for derivative financial instruments at fair value, deferred tax relating to valuation movements (excluding that relating to assets held for sale) and derivatives and intangible assets as per the note reference in the unaudited condensed consolidated statement of financial position (for the entire consolidated Group including wholly owned entities and investment in associates). The reconciliation for EPRA NTA is detailed in table C on page 61.

» EPRA net disposal value ("EPRA NDV") in order to assist in comparisons with similar businesses in the real estate sector. EPRA NDV is a definition of net asset value as set out by the European Public Real Estate Association. EPRA NDV represents net asset value after adjusting for the fair value of fixed interest rate debt (for the entire consolidated Group including wholly owned entities and investment in associates). The reconciliation for EPRA NDV is detailed in table C on page 61.

» Adjusted profit before tax in order to provide an alternative indication of Sirius Real Estate Limited and its subsidiaries' (the "Group") underlying business performance. Accordingly, it adjusts for the effect of the gain on revaluation of investment properties, deficit on revaluation relating to leased investment properties, other adjusting items, gains/losses on disposal of properties, change in fair value of financial derivatives, recoveries from prior disposals of subsidiaries, revaluation gain on investment property relating to associates and related tax. The reconciliation for adjusted profit before tax is detailed in table D on page 62.

» Funds from operations in order to assist in comparisons with similar businesses and to facilitate the Group's dividend policy which is derived from funds from operations. Accordingly, funds from operations excludes depreciation and amortisation (excluding depreciation relating to IFRS 16), net foreign exchange differences, amortisation of financing fees, adjustment in respect of IFRS 16 and current tax excluding tax on disposals. The reconciliation for funds from operations is detailed in table D on page 62.

The Non-IFRS Financial Information is presented in accordance with the JSE Listing Requirements and the guide on pro forma financial information issued by SAICA. The Non-IFRS Financial Information is the responsibility of the Directors. The Non-IFRS Financial Information has been presented for illustrative purposes and, due to its nature, may not fairly present the Group's financial position or result of operations.

The Non-IFRS measures included in the Interim Report 2022 have not been reviewed nor reported on by the independent reporting accountant. The starting point for all the Non-IFRS Financial Information has been extracted from the Group's unaudited interim condensed set of consolidated financial statements for the six months ended 30 September 2022 (the "consolidated financial statements").

ANNEX 1 – NON-IFRS MEASURES CONTINUED

Basis of preparation continued

Table A – EPRA earnings

	Unaudited six months ended 30 September 2022 €000	Unaudited six months ended 30 September 2021 €000
Basic and diluted earnings attributable to owners of the Company[1]	**70,008**	67,738
Gain on revaluation of investment properties[2]	**(26,812)**	(48,414)
(Deduct gain)/add loss on disposal of properties (net of related tax)[3]	**(4,749)**	400
Deduct recoveries from prior disposals of subsidiaries (net of related tax)[4]	**–**	(94)
Refinancing costs, exit fees and prepayment penalties[5]	**–**	5,579
Change in fair value of derivative financial instruments[6]	**(1,244)**	(160)
Deferred tax in respect of EPRA fair value movements on investment properties[7]	**5,322**	8,706
NCI relating to revaluation (net of related tax)[8]	**46**	42
Deduct revaluation gain on investment property relating to associates[9]	**(1,868)**	(1,665)
Tax in relation to the revaluation gain on investment property relating to associates[10]	**523**	418
EPRA earnings[11]	**41,226**	32,550

Notes:

(1) Presents the profit attributable to owners of the Company which has been extracted from the unaudited condensed consolidated income statement within the consolidated financial statements.

(2) Presents the gain on revaluation of investment properties which has been extracted from the unaudited condensed consolidated income statement within the consolidated financial statements.

(3) Presents the gain or loss on disposal of properties (net of related tax) which has been extracted from note 10 within the consolidated financial statements.

(4) Presents the recoveries from prior disposals of subsidiaries (net of related tax) which have been extracted from the unaudited condensed consolidated income statement within the consolidated financial statements.

(5) Presents the refinancing costs, exit fees and prepayment penalties which have been extracted from note 8 within the consolidated financial statements.

(6) Presents the change in fair value of derivative financial instruments which has been extracted from the unaudited condensed consolidated income statement within the consolidated financial statements.

(7) Presents deferred tax relating to origination and reversal of temporary differences of the EPRA fair value movements on investment properties which has been extracted from note 9 within the consolidated financial statements.

(8) Presents the non-controlling interest relating to revaluation (net of related tax) which has been extracted from note 10 within the consolidated financial statements.

(9) Presents the revaluation gain on investment property relating to associates which has been extracted from note 10 within the consolidated financial statements.

(10) Presents tax in relation to the revaluation gain on investment property relating to associates which has been extracted from note 10 within the consolidated financial statements.

(11) Presents the EPRA earnings for the period.

Table B – Adjusted net asset value

	Unaudited 30 September 2022 €000	Audited 31 March 2022 €000
Net asset value		
Net asset value for the purpose of assets per share (assets attributable to the owners of the Company)[1]	**1,213,113**	1,190,652
Deferred tax liabilities (see note 9)[2]	**81,220**	75,893
Derivative financial instruments at fair value[3]	**(1,573)**	(329)
Adjusted net asset value attributable to the owners of the Company[4]	**1,292,760**	1,266,216

Notes:

(1) Presents the net asset value for the purpose of assets per share (assets attributable to the owners of the Company) which has been extracted from the unaudited condensed consolidated statement of financial position within the consolidated financial statements.

(2) Presents the net deferred tax liabilities or assets which have been extracted from the unaudited condensed consolidated statement of financial position within the consolidated financial statements.

(3) Presents current derivative financial instrument assets which have been extracted from the unaudited condensed consolidated statement of financial position from the consolidated financial statements.

(4) Presents the adjusted net asset value attributable to the owners of the Company as at period end.

Basis of preparation continued

Table C – EPRA net asset measures

Unaudited 30 September 2022	EPRA NRV €000	EPRA NTA €000	EPRA NDV €000
Net asset value as at period end (basic)[1]	1,213,113	1,213,113	1,213,113
Diluted EPRA net asset value at fair value	1,213,113	1,213,113	1,213,113
Group			
Derivative financial instruments at fair value[2]	(1,573)	(1,573)	n/a
Deferred tax in respect of EPRA fair value movements on investment properties[3]	81,220	81,220*	n/a
Intangibles as per note 14[4]	n/a	(4,129)	n/a
Fair value of fixed interest rate debt[5]	n/a	n/a	48,681
Real estate transfer tax[6]	163,198	n/a	n/a
Investment in associate			
Deferred tax in respect of EPRA fair value movements on investment properties[3]	7,076	7,076*	n/a
Fair value of fixed interest rate debt[5]	n/a	n/a	9,762
Real estate transfer tax[6]	9,353	n/a	n/a
Total EPRA NRV, NTA and NDV[7]	1,472,387	1,295,707	1,271,556

Audited 31 March 2022	EPRA NRV €000	EPRA NTA €000	EPRA NDV €000
Net asset value as at period end (basic)[1]	1,190,652	1,190,652	1,190,652
Diluted EPRA net asset value at fair value	1,190,652	1,190,652	1,190,652
Group			
Derivative financial instruments at fair value[2]	(329)	(329)	n/a
Deferred tax in respect of EPRA fair value movements on investment properties[3]	75,893	75,566*	n/a
Intangibles as per note 14[4]	n/a	(4,283)	n/a
Fair value of fixed interest rate debt[5]	n/a	n/a	(22,229)
Real estate transfer tax[6]	160,692	n/a	n/a
Investment in associate			
Deferred tax in respect of EPRA fair value movements on investment properties[3]	6,563	6,563*	n/a
Fair value of fixed interest rate debt[5]	n/a	n/a	2,196
Real estate transfer tax[6]	9,147	n/a	n/a
Total EPRA NRV, NTA and NDV[7]	1,442,618	1,268,169	1,170,619

* The Group intends to hold and does not intend in the long term to sell any of the investment properties and has excluded such deferred taxes for the whole portfolio as at period end except for deferred tax in relation to assets held for sale.

Notes:

(1) Presents the net asset value for the purpose of assets per share (assets attributable to the owners of the Company) which has been extracted from the unaudited condensed consolidated statement of financial position within the consolidated financial statements.

(2) Presents current derivative financial instrument assets which have been extracted from the unaudited condensed consolidated statement of financial position within the consolidated financial statements.

(3) Presents for the Group the net deferred tax liabilities or assets which have been extracted from note 9 of the consolidated financial statements and for EPRA NTA only the additional credit adjustment for the deferred tax expense relating to assets held for sale of €nil (31 March 2022: €327,000). For investment in associates the deferred tax expense arising on revaluation gains amounted to €7,076,000 (31 March 2022: €6,563,000).

(4) Presents the net book value of software and licences with definite useful life which has been extracted from note 14 within the consolidated financial statements.

(5) Presents the fair value of financial liabilities and assets on the unaudited condensed consolidated statement of financial position, net of any related deferred tax.

(6) Presents the add-back of purchasers' costs in order to reflect the value prior to any deduction of purchasers' costs, as shown in the Valuation Certificate of Cushman & Wakefield LLP.

(7) Presents the EPRA NRV, EPRA NTA and EPRA NDV, respectively, as at period end.

ANNEX 1 – NON-IFRS MEASURES CONTINUED

Basis of preparation continued

Table D – Adjusted profit before tax and funds from operations

	Unaudited six months ended 30 September 2022 €m	Unaudited six months ended 30 September 2021 €m
Reported profit before tax(1)	**75.7**	78.2
Adjustments for:		
Gain on revaluation of investment properties(2)	**(26.8)**	(48.4)
Deficit on revaluation relating to leased investment properties(3)	**(0.9)**	(3.1)
(Gain)/loss on disposal of properties(4)	**(4.8)**	0.4
Recoveries from prior disposals of subsidiaries(5)	**—**	(0.1)
Deduct revaluation gain on investment property from associates and related tax(6)	**(1.3)**	(1.5)
Other adjusting items(7)	**3.0**	7.0
Change in fair value of financial derivatives(8)	**(1.2)**	(0.2)
Adjusted profit before tax(9)	**43.7**	32.3
Adjustments for:		
Foreign exchange effects(10)	**0.3**	—
Depreciation and amortisation (excluding depreciation relating to IFRS 16)(11)	**1.7**	0.9
Amortisation of financing fees(12)	**1.6**	1.0
Adjustment in respect of IFRS 16(13)	**1.5**	0.5
Current taxes incurred (see note 9)(14)	**(0.4)**	(1.7)
Add back current tax relating to disposals(15)	**0.1**	—
Funds from operations(16)	**48.5**	33.0

Notes:

(1) Presents profit before tax which has been extracted from the unaudited condensed consolidated income statement within the consolidated financial statements.

(2) Presents the gain on revaluation of investment properties which has been extracted from the unaudited condensed consolidated income statement within the consolidated financial statements.

(3) Presents the deficit on revaluation relating to capitalised head leases which has been extracted from note 12 within the consolidated financial statements.

(4) Presents the gain or loss on disposal of properties which has been extracted from the unaudited condensed consolidated income statement within the consolidated financial statements.

(5) Presents the recoveries from prior disposals of subsidiaries which has been extracted from the unaudited condensed consolidated income statement within the consolidated financial statements.

(6) Presents the revaluation gain on investment property relating to associates and related tax which has been extracted from note 10 within the consolidated financial statements and non-FFO related depreciation and amortisation of finance costs totalling €nil (30 September 2021: €237,000) relating to associates.

(7) Presents the total adjusting items which has been extracted from note 10 within the consolidated financial statements.

(8) Presents the change in fair value of derivative financial instruments which has been extracted from the unaudited condensed consolidated income statement within the consolidated financial statements.

(9) Presents the adjusted profit before tax for the period.

(10) Presents the net foreign exchange losses as included in other administration costs in note 5 within the consolidated financial statements.

(11) Presents depreciation of plant and equipment and amortisation of intangible assets which have been extracted from note 5 within the consolidated financial statements.

(12) Presents amortisation of capitalised finance costs which has been extracted from note 8 within the consolidated financial statements.

(13) Presents the differential between the expense recorded in the unaudited condensed consolidated income statement for the period relating to head leases in accordance with IFRS 16 amounting to €2.8 million (30 September 2021: €3.6 million) and the actual cash expense recorded in the unaudited condensed consolidated statement of cash flow for the period amounting to €1.3 million (30 September 2021: €3.1 million).

(14) Presents the total current income tax which has been extracted from note 9 within the consolidated financial statements.

(15) Presents the current income tax charge relating to disposal of investment properties which has been extracted from note 9 within the consolidated financial statements.

(16) Presents the funds from operations for the period.

GLOSSARY OF TERMS

Adjusted earnings after tax	is the earnings attributable to the owners of the Company, excluding the effect of adjusting items (net of related tax and NCI), gains/losses on disposal of properties (net of related tax), the revaluation gains/losses on the investment properties (also to associates) (net of related tax), changes in fair value of derivative financial instruments (net of related tax and NCI), recoveries from prior disposals of subsidiaries (net of related tax), NCI relating to revaluation (net of related tax) and adjustment on revaluation expense relating to leased investment properties
Adjusted net asset value	is the assets attributable to the owners of the Company adjusted for derivative financial instruments at fair value and deferred tax liabilities/assets
Adjusted profit before tax	is the reported profit before tax adjusted for gain on revaluation of investment properties, deficit on revaluation expense relating to lease investment properties, gains/losses on disposal of properties, changes in fair value of derivative financial instruments, other adjusting items, recoveries from prior disposals of subsidiaries, revaluation gain on investment property relating to associates and related tax
Annualised acquisition net operating income	is the income generated by a property less directly attributable costs at the date of acquisition expressed in annual terms. Please see "annualised rent roll" definition below for further explanatory information
Annualised acquisition rent roll	is the contracted rental income of a property at the date of acquisition expressed in annual terms. Please see "annualised rent roll" definition below for further explanatory information
Annualised rent roll	is the contracted rental income of a property at a specific reporting date expressed in annual terms. Unless stated otherwise the reporting date is 30 September 2022. Annualised rent roll should not be interpreted nor used as a forecast or estimate. Annualised rent roll differs from rental income described in note 5 of the Interim Report and reported within revenue in the unaudited condensed consolidated income statement for reasons including: » annualised rent roll represents contracted rental income at a specific point in time expressed in annual terms; » rental income as reported within revenue represents rental income recognised in the period under review; and » rental income as reported within revenue includes accounting adjustments including those relating to lease incentives
Capital value	is the market value of a property divided by the total sqm of a property
Cumulative total return	is the return calculated by combining the movement in investment property value net of capex with the total net operating income less bank interest over a specified period of time
EPRA earnings	is earnings after adjusting the revaluation of investment properties, changes in fair value of derivative financial instruments, gains and losses on disposal of properties (net of related tax), recoveries from prior disposals of subsidiaries (net of related tax), refinancing costs, exit fees and prepayment penalties (collectively the "EPRA earnings adjustments"), deferred tax in respect of the EPRA earnings adjustments, NCI relating to gain on revaluation and gain on disposal of properties (net of related tax), revaluation gain on investment property relating to associates and the related tax thereon
EPRA net reinstatement value	is the net asset value after adjusting for derivative financial instruments at fair value, deferred tax relating to valuation movements and derivatives and real estate transfer tax presented in the Valuation Certificate, including the amounts of the above related to the investment in associates
EPRA net tangible assets	is the net asset value after adjusting for derivative financial instruments at fair value, deferred tax relating to valuation movements (just the part of the portfolio that the Company intends to hold should be excluded) and derivatives and intangible assets as per the note reference in the unaudited condensed consolidated statement of financial position, including the amounts of the above related to the investment in associates
EPRA net disposal value	is the net asset value after adjusting for the fair value of fixed interest rate debt, including the amounts of the above related to the investment in associates

GLOSSARY OF TERMS CONTINUED

EPRA net initial yield	is the annualised rent roll based on the cash rents passing at reporting date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs
EPRA net yield	is the net operating income generated by a property expressed as a percentage of its value plus purchase costs
ERV	is the estimated rental value which is the annualised rental income at 100% occupancy
Funds from operations	is adjusted profit before tax adjusted for depreciation and amortisation (excluding depreciation relating to IFRS 16), amortisation of financing fees, net foreign exchange differences, adjustment in respect of IFRS 16 and current tax excluding tax on disposals
Geared IRR	is an estimate of the rate of return taking into consideration debt
Gross loan to value ratio	is the ratio of principal value of total debt to the aggregated value of investment property
Like for like	refers to the manner in which metrics are subject to adjustment in order to make them directly comparable. Like-for-like adjustments are made in relation to annualised rent roll, rate and occupancy and eliminate the effect of asset acquisitions and disposals that occur in the reporting period
Net loan to value ratio	is the ratio of principal value of total debt less cash, excluding that which is restricted, to the aggregate value of investment property
Net operating income	is the rental, service charge and other income generated from investment and managed properties less directly attributable costs
Net yield	is the net operating income generated by a property expressed as a percentage of its value
Occupancy	is the percentage of total lettable space occupied as at reporting date
Operating cash flow on investment (geared)	is an estimate of the rate of return based on operating cash flows and taking into consideration debt
Operating cash flow on investment (ungeared)	is an estimate of the rate of return based on operating cash flows
Operating profit	is the net operating income adjusted for gain on revaluation of investment properties, gains/losses on disposal of properties, recoveries from prior disposals of subsidiaries, administrative expenses and share of profit of associates
Rate	for the German portfolio is rental income per sqm expressed on a monthly basis as at a specific reporting date for the UK portfolio is rental income (includes estimated service charge element) per sqm expressed on a monthly basis as at a specific reporting date in EUR for the UK portfolio is rental income (includes estimated service charge element) per sq ft expressed on an annual basis as at a specific reporting date in GBP
Senior Management Team	as set out on page 70 of the Group's Annual Report and Accounts 2022
Total debt	is the aggregate amount of the interest-bearing loans and borrowings
Total shareholder accounting return	is the return obtained by a shareholder calculated by combining both movements in adjusted NAV per share and dividends paid
Total return	is the return for a set period of time combining valuation movement and income generated
Ungeared IRR	is an estimate of the rate of return
Weighted average cost of debt	is the weighted effective rate of interest of loan facilities expressed as a percentage
Weighted average debt expiry	is the weighted average time to repayment of loan facilities expressed in years

CORPORATE DIRECTORY

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(Incorporated in Guernsey)
Company Number: 46442
JSE Share Code: SRE
LSE (GBP) Share Code: SRE
LEI: 213800NURUF5W8QSK566
ISIN Code: GG00B1W3VF54

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Registered number

Incorporated in Guernsey under The Companies (Guernsey) Law, 2008, as amended, under number 46442

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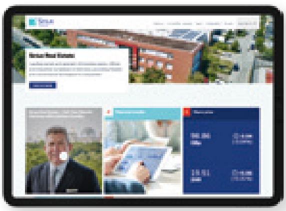
NOTES



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