Sirius real estate

Growing portfolio and new partnerships

Sirius Real Estate Limited
Annual Report and Accounts 2019

Empowering business, unlocking potential

Sirius Real Estate Limited is a real estate company with a portfolio of 57 business parks owned or managed across Germany, providing a combination of conventional and flexible workspace.

Investment case

Record organic rent roll growth and total shareholder accounting returns, good progress with asset recycling and new venture established with AXA IM – Real Assets.

Germany is a highly attractive market with strong fundamentals

The German economy is the largest in Europe and characterised by strong GDP growth, low unemployment and high levels of investment and consumer spending.

99% of German companies are SMEs, the core customer of Sirius.

Assets can be acquired at attractive yields and at capital values well below replacement cost.

Sirius has a well-structured portfolio

Sirius owns and manages a property portfolio in excess of €1 billion.

Sirius owns and manages a substantial portfolio of mixed use real estate assets located in and around the "big seven" German markets.

Sirius has a well-diversified tenant base with the top 50 tenants generating 45% of annual income.

Operating with a proven business model and solid track record

Sirius has proven capability in transforming assets through its capex investment programmes, which deliver returns in excess of 40% and enhance income and capital values.

Highly-developed in-house marketing and sales capability that targets prospective tenants directly using online and offline techniques that reduce the overall cost of acquiring customers and minimises dependency on third party agents.

Delivering a stable and attractive return profile

Sirius has delivered a total shareholder accounting return in excess of 15% over the last four years.

The Group's policy of distributing 65% of FFO as dividends ensures it maintains a well-covered dividend and provides the head-room to flex pay-out ratios as required.

Contents

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

Realising value and growing future opportunity

Continued excellent organic rental income growth

The Company delivered rental and other income from investment properties of €84.4 million, up from €71.8 million from last year. The Company delivered an excellent 7.1% increase in like-for-like annualised rent roll. This is the highest ever organic annualised rent roll increase that the Company has achieved and is indicative of the Company's asset management capabilities along with a strong market. The recent acquisition strategy of acquiring assets with vacancy in select locations has helped fuel the organic growth possibilities not only in the current year but into the future as well. Total Company annualised rent roll grew from €79.5 million* at the start of the period to €87.8 million at 31 March 2019.

Acquisition firepower

The combination of the March 2018 equity raise, the funds raised from disposals of assets and the proceeds that will be generated from the transaction with AXA IM-Real Assets, along with new financings, will provide the Company with €230.0 million of cash to acquire additional assets. The progress made on investing this to date is as follows:

» four assets totalling €65.1 million completed in the period;

» two assets totalling €15.2 million notarised for completion post year end; and

» strong pipeline to acquire the remaining €149.7 million of assets.

Significant valuation increases with more than €1.1 billion of property under ownership

The Company grew the book value of its assets beyond the €1 billion mark for the first time through a combination of further acquisitions and significant increases in asset value. The assets that were owned for the entire period increased in book value by €128.2 million or 13.3%. The acquisitions that completed in the year were valued at €3.6 million above purchase price, offsetting most of the acquisition costs of €4.8 million. The Group's total portfolio had a book value of €1,132.5 million at the year end and was valued at a gross yield of 7.8% and net yield of 6.8%.

New venture agreed, unlocking value and creating future growth opportunity

A new venture with AXA IM – Real Assets was established in the period with an agreement to sell 65% of the Group's interests in five subsidiary companies which own five assets located in Berlin, Nuremburg, Bayreuth and Mainz. The venture will realise significant value for shareholders, provide approximately €120.0 million of the acquisition firepower and generate an attractive income stream as a result of Sirius' continued management of the assets.

€144.7m

↑ 61.5%

Profit before tax at 31 March 2019

19	**144.7**
18	89.6

€5.78

↑ 5.9%

Average rate per sqm

19	**5.78**
18	5.46

€1,132.5m

↑ 21.6%

Portfolio book value

19	**1,132.5**
18	931.2

3.36c

↑ 6.3%

Total dividend for the year

19	**3.36**
18	3.16

71.01c

↑ 12.6%

NAV per share

19	**71.01**
18	63.09

34.1%

↓ 16.4%

Loan to value ratio

19	**34.1**
18	40.8

74.82c

↑ 16.6%

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

19	**74.82**
18	64.18

€87.8m

↑ 10.4%

Annualised rent roll at 31 March 2019

19	**87.8**
18	79.5*

86.1%

↑ 8.0%

Occupancy

19	**86.1**
18	79.7

* Includes the Saarbrücken and Düsseldorf acquisitions that were prepaid at 31 March 2018 and completed 1 April 2018.

Throughout this Annual Report and accounts certain industry terms and alternative performance measures are used; see the Glossary, Business analysis and Annex 1 – Non-IFRS Measures within this Annual Report and accounts for full explanations and reconciliations of alternative performance measures to IFRS numbers.

Conventional and flexible workspace

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

Sirius operates a high-return, value-add business model on investments into industrial, warehouse and office properties in Germany. The Company derives value using its in-house asset and property management platform through a stringent acquisitions process followed by an intensive capital investment and asset management plan which focuses on transforming vacant and sub-optimal space into high-quality conventional and flexible workspace. When assets have been fully transformed some are held for their stable income and some are recycled into opportunistic assets with value-add potential.

As at 31 March 2019 the Group owned 55 and managed 2 additional business parks in Germany containing a total of approximately 1.5 million sqm of lettable space. The owned portfolio were valued at €1.13 billion. The portfolio can be split into three categories:

1) traditional industrial business parks – 64.1% of annualised rent roll;

2) modern mixed-use business parks – 22.1% of annualised rent roll; and

3) office buildings – 13.8% of annualised rent roll.

The usage split within the Group's portfolio is a mixture of production space, offices, warehouses and storage. Most sites have a combination of anchor tenants which provide secure long-term income, SME tenants on a combination of conventional and flexible lease terms and Smartspace tenants which comprise a wide variety of companies and individuals using our self-storage, serviced office and workbox products. The stability of the anchor tenants is important for banks and planned disposal whereas the high-yielding Smartspace products, which are generally created from sub-optimal space which is acquired for very low cost, provides a substantial boost to the income returns that are achieved.

Our workspace

The Group has a well-diversified income and tenant profile from large multinational corporations working within a broad range of industries to smaller SMEs and retail customers. These tenants use several types of workspace on both long-term and flexible leases.

Much of the workspace is created through the Company's capex investment programme which transforms vacant and sub-optimal space into high-quality conventional production, storage and office facilities as well as the innovative range of flexible Smartspace products. We are therefore able to attract a wide variety of tenants and increase footfall in our sites whilst generating higher income and capital growth from space that would often be considered structural vacancy and remain empty or be rented at low rates.

Offices

The office space within the portfolio comprises office areas and buildings on industrial business parks, office buildings attached to warehouses and stand-alone office buildings in more traditional office areas. Within these office types we offer a wide range of conventional and flexible office solutions on either long or short-term leases. Some business centres offer service packages such as furniture, IT and conferencing as well as co-working areas and virtual offices.

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

Conventional offices
Smartspace office
Officepods
Virtual office
38.2% of Group annualised rent roll
30.0% of total sqm
€7.37: average rate per sqm

Storage

For businesses and private households, the wide range of storage space on offer in the Sirius estate provides many options on varying scales.

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

Classical storage spaces
Smartspace storage
Flexistorage
23.5% of Group annualised rent roll
31.5% of total sqm
€4.31: average rate per sqm

Production, warehouses and workshops

Large production areas form the base of many Sirius business parks; however, smaller workshop areas complement these, giving clients optionality as their business needs change. Additionally, the modern business parks often have large warehouse spaces which can be used for many different purposes.

Large scale production spaces
Warehouse spaces
Smartspace workbox
19.1% of Group annualised rent roll
25.9% of total sqm
€4.26: average rate per sqm

Our assets

The Company owns 55 and manages an additional 2 assets all located in Germany. Our assets typically provide our tenants with a combination of conventional and flexible workspace.

Traditional business parks

The majority of our traditional business parks were originally constructed by owner occupiers with many having construction dates going back to the early to mid-1900s. Traditional business parks typically comprise multiple mixed-use buildings and contain in excess of 30,000sqm of workspace. The original design and set-up of these sites were generally for manufacturing and industrial usage and over time they have undergone significant investment in order to reconfigure to cater for multi-tenants. After the Sirius transformation, our traditional business parks offer conventional large-scale industrial, storage and office facilities as well as flexible serviced office, self-storage and workbox options which are created from the more difficult areas of the building sites.

These business parks are home to large blue-chip industrial tenants such as GKN, Bopp & Reuther and Borsig as well as a significant number of SME and retail tenants that together create thriving business communities.

Multi-tenanted

Long-term leases

Production, storage and office space

Large multinational companies

1.5 million
Lettable sqm

4,818
Tenants

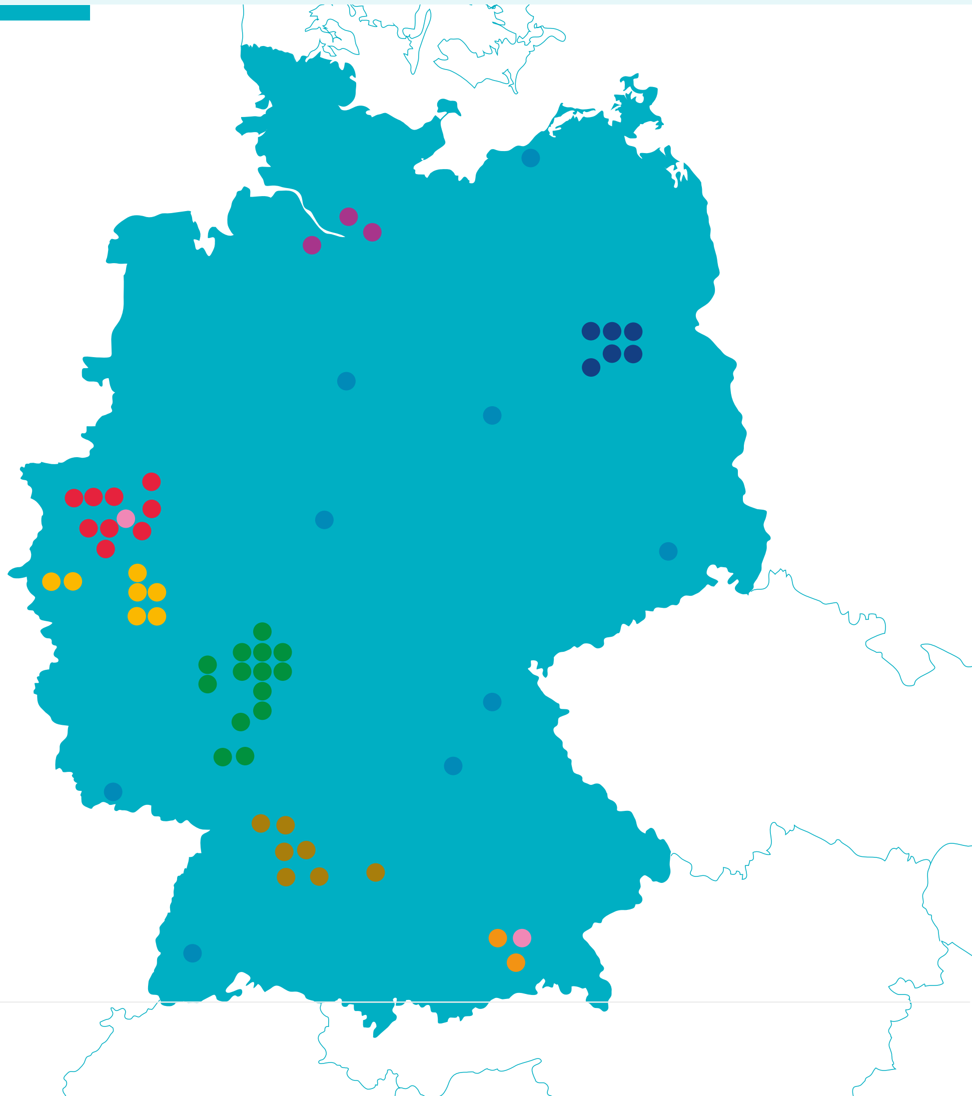
57
Total number of properties owned or managed

Our locations

Location split by city

- Berlin
- Cologne
- Düsseldorf
- Frankfurt
- Hamburg
- Munich
- Stuttgart

- Other
- Managed



Modern business parks

Modern business parks have a construction date post 1990 and typically contain a combination of warehouse and office buildings across a site with a total area in excess of 20,000sqm. The quality and look of the modern business parks are usually of a higher standard and whilst they are easier to manage than the traditional industrial business parks due to a higher proportion of office space, the value-add potential that can be extracted from the assets within the Sirius business model is good.

Multi-tenanted

Long and short-term leases

Warehouse, storage and office space

SMEs and retail customers

Office buildings

The pure office buildings we buy are usually well located on the periphery of major economic centres and offer both conventional and flexible office space to SMEs and larger corporates seeking a cost effective alternative to city centre locations. Typically constructed post 1990 our office buildings provide high-quality space that can be quickly adapted to meet the changing needs of and working practices of our tenants.

Single and multi-tenanted

Office space

SMEs

Long and short-term leases

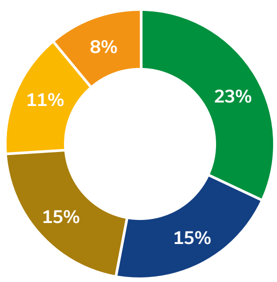
Our top tenants

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

72%

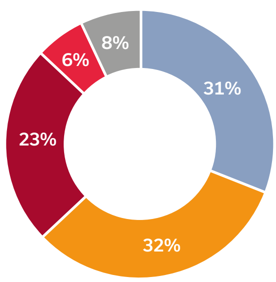
of revenue is created in the top five German cities

- Frankfurt
- Cologne
- Berlin
- Munich
- Stuttgart



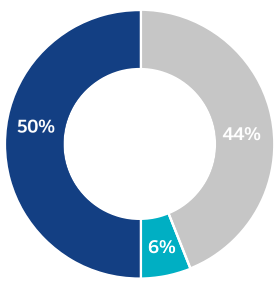
Total portfolio split

- Office
- Storage
- Production
- Smartspace
- Other



Tenant split by revenue

- Top 50 anchor tenants
- Smartspace SME tenants
- Other SME tenants



Capital recycling and increased value-add opportunity

Acquired in the period

Düsseldorf II

Total acquisition cost
€8,064,250
Tenants
3
Lettable space
8,672sqm
Occupancy
80%
Annualised rent roll
€627.208
Vacant space
1,704sqm
Rate per sqm
€6.90

January 2018

Bochum

Total acquisition cost
€25,704,700
Tenants
31
Lettable space
55,650sqm
Occupancy
95%
Annualised rent roll
€2,591,419
Vacant space
2,676sqm
Rate per sqm
€3.93

March 2019

Saarbrücken

Total acquisition cost
€28,085,000
Tenants
12
Lettable space
47,350sqm
Occupancy
65%
Annualised rent roll
€3,057,184
Vacant space
16,774sqm
Rate per sqm
€7.68

April 2018

Friedrichsdorf

Total acquisition cost
€17,707,350
Tenants
18
Lettable space
17,306sqm
Occupancy
92%
Annualised rent roll
€1,357,391
Vacant space
1,426sqm
Rate per sqm
€6.65

August 2018

Disposals

In May 2018, Sirius completed the sale of its non-core Bremen Brinkmann business park, generating proceeds of €15.5 million. The asset was located on the north coast of Germany outside of Sirius' target regions. The buildings are also uniquely configured for tobacco manufacturing which due to the costs and complexity involved has limited the potential for investment to reconfigure the space. The asset was sold in line with the book value. At the time of sale the asset generated net operating income of €0.9 million. As at 31 March 2018 the site contained 48,700sqm of vacant space which, following completion, resulted in a positive impact on the Group's overall occupancy level.

In June 2018, Sirius completed the sale of a 22,000sqm piece of non-income producing land at its site in Rostock generating proceeds of €1.2 million.

In June 2018, Sirius completed the sale of a derelict residential building of approximately 1,300sqm lettable area at its site in Markgröningen, generating proceeds of €0.6 million.

In November 2018, Sirius completed the sale of its non-core Bremen Hag business park, generating proceeds of €3.8 million, which was in line with the book value. Bremen Hag was a large site comprising 60,000sqm and located next to the container port in Bremen harbour which held limited appeal among prospective tenants and was loss making with a net operating expense of approximately €300,000 and occupancy of less than 19%. The sale resulted in a significant increase in overall Group occupancy due to the asset containing 48,000sqm of vacant space.

In March 2019, Sirius completed the sale of its Bremen Dötlinger Strasse business park to a private investor, generating proceeds of €6.3 million, in line with the book value at 30 September 2018 and reflecting an EPRA net yield of 5.1%. The property comprised 10,273sqm of mixed-use space, which at the time of the sale was 43% vacant and in need of significant capital expenditure to attract new tenants.

Notarised in the period

Fellbach

Total acquisition cost
€12,069,850
Tenants
19
Lettable space
25,420sqm
Occupancy
79%
Annualised rent roll
€1,042,684
Vacant space
5,329sqm
Rate per sqm
€4.29

August 2018

Mannheim II

Total acquisition cost
€9,616,250
Tenants
57
Lettable space
15,052sqm
Occupancy
69%
Annualised rent roll
€800,760
Vacant space
4,688sqm
Rate per sqm
€6.06

October 2018

Buxtehude

Total acquisition cost
€8,689,610
Tenants
0
Lettable space
28,532sqm
Occupancy
0%
Annualised rent roll
€0
Vacant space
28,532sqm
Rate per sqm
€0

May 2019

Teningen

Total acquisition cost
€6,497,250
Tenants
7
Lettable space
20,062sqm
Occupancy
88%
Annualised rent roll
€805,774
Vacant space
2,486sqm
Rate per sqm
€3.82

June 2019

Disciplined execution

In summary:

- Sirius' core objective is to deliver attractive risk-adjusted returns from industrial, warehouse and office property investments in Germany through a mix of dividend yield and capital value appreciation across different market conditions
- The year under review saw Sirius achieve high organic rental growth and hence significant improvements in the value of its portfolio
- Sirius continued its capital recycling programme by disposing of three assets in challenging locations whilst acquiring a total of six and notarising two new assets, providing greater scope for income and capital growth
- The establishment of a new venture with AXA IM – Real Assets in the period has created another channel for significant future growth in the future

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To read more about our business **see the Business model and strategy on pages 12 to 15**

Introduction

It is with great pleasure that my first report as Chairman of the Company relates to a period of operational and strategic success for the business. Prior to my appointment as Chairman in September 2018, James Peggie, Senior Independent Director, held the role of Acting Chairman for nine months. We are most grateful for his stewardship during that interim period.

Sirius' core objective remains to deliver attractive risk-adjusted returns through a mix of dividend yield and capital value appreciation. We continue to focus on industrial, warehouse and secondary offices throughout Germany but mainly in and around the seven largest cities. We are achieving our returns expectations by maximising the opportunities across our portfolio, which now consists of 57 owned and managed assets throughout Germany. Key to this is the internal operating platform which remains one of the main differentiators of Sirius from other companies that own and manage industrial business parks in Germany. The year under review saw the Company make a number of acquisitions and disposals. The benefits of leveraging our in-house platform, as well as active management activities associated with our highly accretive capex investment programme, contributed to the Company increasing rental and other income from investment properties to €84.4 million up from €71.8 million. In addition, the Company posted a record 7.1% increase in like-for-like annualised rent roll and a 13.3% increase in like-for-like portfolio book value, which combined has contributed to a total shareholder accounting return of 19.3%, the fourth consecutive year of returns in excess of 15%.

FY18/19 highlights

Strong trading performance

It is pleasing to be able to report on an excellent twelve months of trading for Sirius, during which the Company recorded a profit before tax of €144.7 million, up 61.5% on the prior year whilst funds from operations ("FFO") increased by 26.0% to €48.4 million despite the investment into acquisitions from the March 2018 equity raise taking longer than expected. The impact of the acquisitions timing was more than offset by the Company's highest ever like-for-like increase in annualised rent roll.

Additionally, the Company has seen its net asset value per share increase by 12.6% to 71.01c and EPRA net asset value per share increase by 16.6% to 74.82c mainly due to valuation gains (net of capex and adjustments in respect of lease incentives) of €99.9 million. This strong performance highlights how the Company's operating platform drives organic rental and valuation growth as well as the appeal of the Company's conventional and flexible workspace solutions within the German Mittelstand (SME) market, which continues to perform well.

Shareholder returns

Consistent outperformance of targets

The Company's stated policy is to pay out 65% of the Group's FFO to shareholders as dividends but, as indicated previously, the Board does consider temporary increases in the pay-out ratio in order to maintain the positive dividend growth that would have been achieved had it not been for the asset recycling and equity raising activities. Accordingly, the Board has declared a final dividend of 1.73c per share representing 70% of FFO, an increase of 8.1% on the final dividend last year (which represented 75% of FFO). The total dividend for the year is 3.36c, an increase of 6.3% on the 3.16c total dividend for the year ended 31 March 2018. The progression of the Company's dividend growth of 51.4% since the financial year ending 31 March 2016 can be seen in the table below.

Financial year	Pay-out ratio	Dividend per share (cents)	Cumulative dividend growth (%)
2015–2016	65%	2.22	–
2016–2017	65%	2.92	31.5%
2017–2018	75%	3.16	42.3%
2018–2019	70%	3.36	51.4%

The Sirius business model continues to deliver not only progressive income returns but also attractive capital growth as measured by adjusted net asset value[1] ("adjusted NAV") per share. Combining the growth in adjusted NAV and dividends paid, the Company has delivered an annual total shareholder accounting return in excess of 15% for each of the last four years with a return of 19.3% recorded for the year to 31 March 2019. While dividend distributions typically contribute approximately 30% and adjusted NAV growth 70% of total shareholder accounting returns, it is pleasing to note that the valuation movement of our investment properties is derived predominantly from organic increases in income rather than yield movement. This focus on growing income at property level positions the Company well for the future.

(1) Excludes the provisions for deferred tax and derivative financial instruments.

Financial year	Total shareholder accounting return[1]	% of return derived from adjusted NAV growth	% of return derived from dividends paid
2015–2016	16.0%	76.8%	23.2%
2016–2017	15.3%	67.0%	33.0%
2017–2018	17.0%	69.1%	30.9%
2018–2019	19.3%	74.5%	25.5%

(1) Calculated as change in adjusted NAV per share plus dividends paid.

Governance and culture

Integration of leadership and risk management

The Board is fully committed to compliance with the UK Corporate Governance Code (the "UK Code") as published in June 2016 by the Financial Reporting Council and will comply with all those provisions of the King IV Report on Governance™ for South Africa 2016 that are not included in the UK Code. I am pleased to report that we are compliant with all principles of the UK Code. The JSE has granted the Company dispensation not to report on its application of the King IV Code, provided that Sirius continues to comply with the mandatory corporate governance provisions pursuant to paragraph 3.84 of the JSE Listing Requirements. For the next financial year, the Company will be working towards full compliance with the new UK Corporate Governance Code which has replaced the UK Code for reporting periods beginning after 1 January 2019.

As previously communicated the Board considered that in light of new regulation regarding the rotation of auditors, in line with best practice and due to the length of time KPMG had acted as audit firm to the Company, a formal audit tender process would be undertaken during the reporting period. Following the completion of the audit tender process Ernst & Young LLP were duly appointed and latterly reappointed as auditors from the date of the AGM in September 2018.

Thank you and outlook

Effective collaboration

On behalf of the Board I would like to thank all those connected to Sirius for their efforts and hard work that together allowed the Company to record such an impressive year. We feel that the outlook for Sirius continues to be positive with its strategy focused on delivering organic growth in rental income in its existing assets and selective asset recycling activity and a long-term strategic partnership with AXA IM – Real Assets to look forward to. This positions the Company well for further growth and shareholder returns into the new financial year and beyond.

Danny Kitchen
Chairman
31 May 2019

A successful and busy year

"There have been some significant standalone achievements this financial year in relation to enhancing the portfolio and diversifying our operational model."

Q&A with the CEO.

1. How did this year's performance differ from the prior year?

Primarily we have built upon our last financial year's performance and continued to execute effectively; however, there have been some significant standalone achievements this financial year in relation to enhancing the portfolio and diversifying our operational model.

We have continued with our planned disposal of non-core assets during the period and successfully exited the Bremen market through the sale of all three assets previously owned by Sirius in that location, generating total proceeds of €25.6 million. In addition, the Company generated proceeds of €1.8 million from the sale of a non-income piece of land and residential building. It has been a busy year for acquisitions with the Company completing a total of six assets for €101.2 million in the period which included two assets totalling €36.1 million that were pre-paid at 31 March 2018 and the notarisation of two assets that completed shortly after the financial year end totalling €15.2 million.

Perhaps the most significant transaction in the year related to the establishment of a new venture with AXA IM – Real Assets through the agreement to sell 65% of the Group's interest in five subsidiary companies. The implied property value of €168.0 million, equating to a gross yield of 6.2%, compares to the last reported book value at 30 September 2018 of €141.1 million and a gross yield of 7.4%. The venture will realise significant profit for shareholders whilst the fact Sirius will continue to manage the sites means it will continue to generate fee income from the assets into the future. The new venture will also result in Sirius having significant resources to invest for both itself and for the venture and provides the ability to consider the purchase of much larger stable assets and portfolios of assets whilst Sirius will continue seeking out smaller value-add opportunities for itself.

Notably we have seen further strong tenant demand which, combined with our intensive asset management initiatives, generated another year of highly impressive rental growth underpinned by a like-for-like annualised rent roll increase of a record 7.1% which contributed to total Company annualised rent roll increasing to €87.8 million. The increase in annualised rent roll was supported by another strong lettings performance that included total sales of more than 170,000sqm of space. Demand for all our products was positive with many new SMEs and larger tenants signing deals for both flexible and conventional spaces. Included in the major long-term deals were well covenanted tenants such as a luxury car manufacturer based in Stuttgart, Land Berlin (a government agency) and FOM (an educational body).

As you can see, it has been an extremely busy and successful year and I would like to extend my thanks to our management team and wider workforce for bearing the burden of such a heavy workload with such good discipline, energy and professionalism.

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To read more about financing **see the Financial review on pages 30 to 33**

2. Do you anticipate Brexit impacting the business?

As I write my answer to this question the eventual outcome of Britain's 2016 vote to leave remains unclear and indeed by the time this is published that may have changed, or the situation may have become even more uncertain. Whatever happens in the future, we have already seen investors picking locations like Berlin, Cologne, Düsseldorf and Frankfurt over London and other UK cities. Brexit is now increasing demand for space in Germany as some UK-based companies seek to move operations and staff out of the UK. For example, a point that is often not widely understood is a 2% exodus of employees in the finance sector in London would be equivalent to an 11% increase in workers in the finance sector in Frankfurt. Because the population of Germany is so widely spread between the seven major cities, resulting in the majority of German cities including Frankfurt having populations of less than 1 million, a small exodus in a heavily populated city such as London can make a fivefold difference to a German city. The longer the uncertainty connected to Brexit drags on the longer increased levels of investment into Germany are likely to continue; however, it is reasonable to assume a no-deal Brexit outcome would have some impact on German industry. More broadly, compared with other political developments that are set to continue across Europe, Germany could well be regarded as being well insulated resulting in a broad pro-business attitude prevailing into the future. This view of Germany is supported by the political system being better insulated from populism than other Western democracies by virtue of a coalition government and a consensus driven approach to politics. As a result, the underlying strength of the world's fourth largest economy and European economic powerhouse looks like it is set to remain.

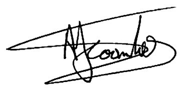
3. How is the real estate market evolving in Germany?

When compared with other European countries Germany's real estate market is different to most as its focus is on several multiple economic hubs of similar size rather than a smaller number of larger hubs. In the past this has sometimes caused investors in real estate uncertainty when weighing investment decisions especially when compared to London or Paris, but such diversification is increasingly being viewed as a strength. Cities like Berlin, Munich, Hamburg and Frankfurt are fast gaining the interest of non-German investors, leading to a significant rise in investment volumes. Part of what is driving this increase in foreign investment is a more evenly spread population distribution that results in fewer overpopulated cities and less congestion. Supported by a favourable interest rate environment, low inflation and, compared to other European countries, a lower cost of labour businesses in Germany have thrived. This is reflected in Sirius' result for the year with a 7.1% increase in like-for-like annualised rent roll, our fifth year of annual increases in excess of 5%. Whilst in many ways we are living in unprecedented times the real estate market in Germany remains both attractive and competitive.

The German light industrial asset class or as it is referred to in Germany "Unternehmensimmobilien" has quickly become a more prominent and well-recognised segment of the German real estate market. This is in part because of its high-yielding nature and multi-tenanted concept which, when combined with an effective operating platform, is something investors are increasingly attracted to as an alternative to single tenanted buildings in the centre of towns and cities. As noted above the financial year under review saw another global insurance company by way of AXA IM – Real Assets gain exposure in this asset class in Germany by forming a venture with Sirius. In my view, this reflects the "coming of age" of Unternehmensimmobilien and confirmation of its emergence from being a less understood and valued asset class to one worthy of significant institutional investment.

4. Finally, what can we expect in the year ahead?

Our investment strategy in the year ahead is to make strong progress in deploying the proceeds generated in the financial year to 31 March 2019 from asset recycling and the AXA IM – Real Assets venture whilst continuing to grow organically through the roll-out of our capex investment programmes and intensive asset management initiatives. Acquisition activity will focus on value-add and opportunistic assets in and around the top seven cities in Germany that provide asset management potential to grow income and capital values. At the same time, we will continue to look to selectively recycle equity out of mature assets and into assets where greater returns for shareholders can be generated. We are delighted to have agreed a new venture with AXA IM – Real Assets and look forward to completing the transaction before exploring future opportunities that may have previously been challenging for Sirius to execute with a strong, trusted and well-respected partner.



Andrew Coombs
Chief Executive Officer
31 May 2019

OUR BUSINESS MODEL

We bring our platform and property together

Key drivers for our operating platform

Capital efficiency
Sirius intends to grow the portfolio with accretive acquisitions which have been funded historically through new equity, refinancing or disposals of mature assets and non-core assets.

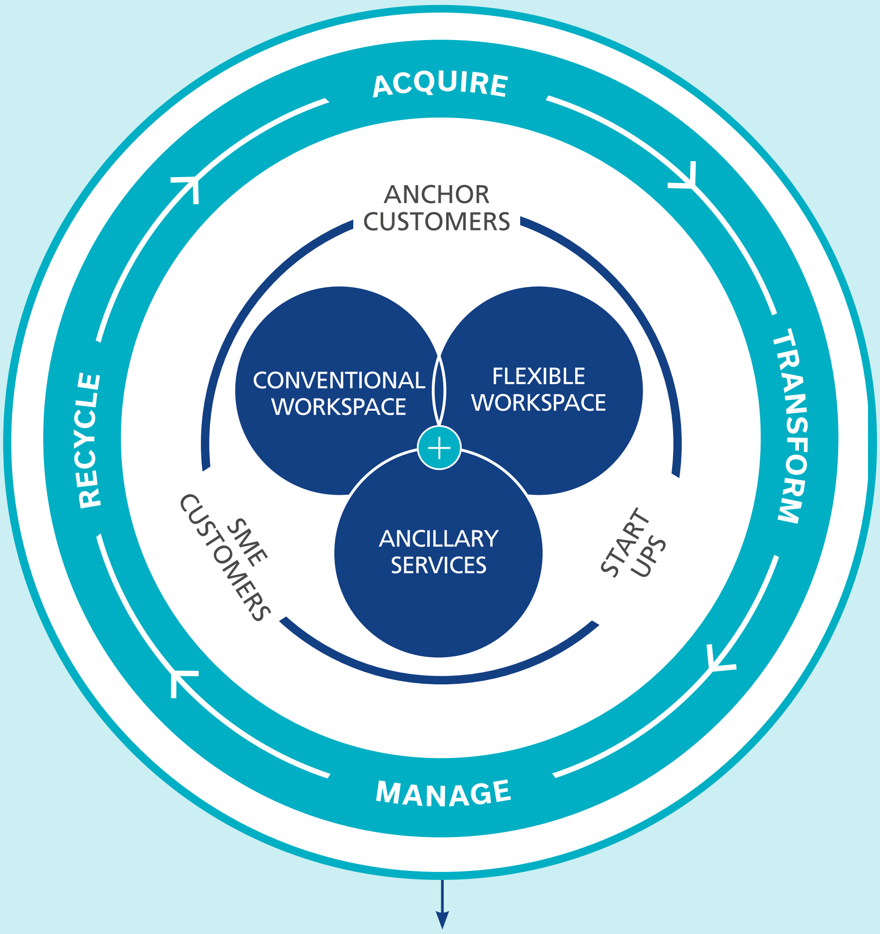
Favourable market environment
The German economy and SME market, in particular, continue to see growth, meaning demand for both the Group's conventional space and flexible workspace continues to be high.

People
The Company is internally managed and relies on its employees and their experience, skill and judgement in identifying, selecting and negotiating the acquisition and disposal of suitable properties, as well as the development and property management of the portfolio when owned.

Strong management capabilities
Sirius has a highly experienced senior management team with a strong track record experience in property markets, especially in Germany. The team is able to leverage its strong market connectivity and track record of acquiring assets to access a large number of potential investment opportunities.

Sirius' cycle

Enhancing rental and capital value through active portfolio management.



Conventional workspace
- Long term
- Large scale
- Production
- Storage

Flexible workspace
- Long and short term
- Office
- Production
- Storage

Ancillary services
- Conferencing
- Catering
- Internet and telephony

Value creation

Intensive asset management

- Acquisitions and disposals assessment and execution
- Strong banking relationships
- Detailed asset-level business plans
- Advanced IT systems

Transformation and conversion of space

- Utilisation of structural vacancy
- Highly accretive capex investment programmes
- Experienced development team

Active tenant and lettings management

- Sophisticated internet-based marketing
- Substantial marketing and sales teams
- Structured sales process and mystery shopping
- Comprehensive customer database

Asset recycling

- Recycling of capital from mature assets into assets with value-add potential
- Adding to capex investment programmes
- Developing and selling surplus land

Value created for our stakeholders

» People » Shareholders » Local communities » Suppliers » Employees

Delivering our strategy

The Group's core strategy is the acquisition of business parks at attractive yields and/or with value-add potential which are transformed through investment and asset management to become higher-quality real estate assets.

This transformation includes the reconfiguration and upgrade of existing and vacant space to appeal to the local market, branding of the site and extensive asset management which includes extending anchor tenants, letting up vacancy and significantly improving service charge cost recovery.

Our five value drivers

Active portfolio management

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

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

Links to risk: 1 5 6 9

Transformation and conversion of vacant space

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

The returns that the Company achieves from these improvements are high as typically they not only deliver rental income and service charge recovery gains that come from letting the transformed areas but also include significant valuation uplifts that come from improving the space and business parks as a whole. The original capex investment programme commenced in January 2014 and was focused on just over 200,000sqm of sub-optimal space. Of the 195,415sqm that has been fully converted at 31 March 2019, an investment of around €23.7 million has resulted in an increase in annualised rent roll of €12.6 million based on 83% of this space is now let and the return on investment to date has been 53.2%. The new acquisitions capex investment programme commenced in January 2017 and is focused on approximately 120,000sqm of sub-optimal or vacant space. As at 31 March 2019 a total of 53,148sqm was fully converted and an investment of €9.7 million has resulted in an increase in annualised rent roll of €2.6 million. 54% of this space has been let to date.

Links to risk: 5

> To read more about our business **see our KPIs on pages 20 and 21**

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

Occupancy and rental growth

The internal asset management platform remains a key differentiator for Sirius over its competitors and plays an integral role in driving occupancy and rental growth. The internal marketing team has developed a significant internet presence over the last ten years and, as 31 March 2019, was driving on average in excess of 1,000 leads per month predominantly from the Company's website and the internet portals upon which vacancies are advertised. Once leads have been generated, a dedicated call centre immediately deals with all enquiries and converts approximately 77% of all enquiries into viewings. The on-site sales teams use a structured sales process and are currently converting about 18% of viewings into new deals.

This translates to approximately a 14% conversion rate of all enquiries into new lettings which the Company believes is best in class. All aspects of the Company's sales process as well as those of many of its competitors are mystery shopped in order to measure performance and ensure standards are continually met. This highly specialised in-house capability enables the Company to secure and retain tenants without reliance on external agents and brokers and is the key behind being able to realise the full potential of the transformed vacant space that is created through the capex investment programme.

6 9

Improvement in service charge recovery

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

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

The Company has developed the ability to achieve a cost-recovery percentage that is higher than occupancy which it believes to represent best in class performance. Sirius is committed to achieving this high level of recovery on all of its assets.

5 6

Growth through acquisition and recycling

Sirius has been active in growing its portfolio through acquisitions over the last three years which it has been funding through a combination of share placings, attractively priced long-term bank financing and the selective recycling of equity out of mature or non-core assets. In order to establish and maintain a balanced portfolio, both opportunistic and stable assets have been acquired, providing the Company with an attractive combination of secure income and the potential to create significant value by utilising our internal operating platform.

The new venture established with AXA IM – Real Assets in March 2019 is expected to be completed in July 2019 and will provide further growth potential for the Company as the partnership develops and new investment opportunities are considered.

1 2 3 4

Strategy in action

Traditional park Markgröningen – May 2016

Strategy in action

- Traditional business park with 56,615sqm acquired on attractive net initial yield of 10.4% due to expected major tenant move-out and high service charge leakage
- Financed by a seven year fixed rate facility at 1.66% interest rate, maturing in April 2023
- €2.9 million capex investment so far to improve infrastructure and transform vacated space into conventional offices and smaller business units
- Regeared lease of major tenant:
  - Lease of the anchor tenant occupying 38,624sqm and paying annual rent of €1.3 million was due to expire within the first year of ownership
  - Initial negotiations with the tenant resulted in a lease extension and the handing back of 3,965sqm
  - Further negotiations with the tenant resulted in an increase of space to 42,728sqm generating annual rent of €1.4 million
- Increased occupancy to 94% and annualised rent roll by 46%
- Shareholder return of €13.2 million on invested equity of €6.0 million in period of ownership equating to a 48% geared IRR
- Site is generating €1.6 million of annual net operating income on a total debt and equity investment of €11.6 million (acquisition cost plus capex) giving a 13.8% running NOI yield

External view

Smartspace office

Warehouse

	Acquisition €m	As at 31 March 2019 €m	Total improvement €m
Total acquisition cost/valuation	8.7	21.3	12.6
Invested equity	6.0	–	–
Annualised rent roll	1.3	1.9	0.6
Annualised net operating income	0.9	1.6	0.7
Occupancy	68%	94%	26%
EPRA net yield(1)	10.4%	7.1%	–

	Three years to 31 March 2019 €m
Retained profit(2)	3.5
Valuation increase	12.6
Capex	(2.9)
Cumulative total return	13.2

(1) Includes purchaser acquisition costs.

(2) Retained profit calculated as net operating income less bank interest.

Actual three year returns

Geared annualised IRR	48%
Ungeared annualised IRR	36%

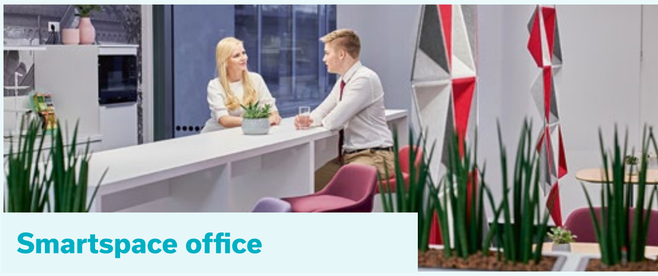
Office building Neuss – September 2017

Strategy in action

- Well-located office building providing 18,258sqm of lettable space with opportunity to grow occupancy from 38% at acquisition date
- Financed by a seven year fixed rate facility at 1.48% interest rate, maturing in October 2023
- Vacancy is being converted into a combination of First Choice Business Centre, Smartspace office and conventional office space
- As at 31 March 2019 occupancy had increased to 55% with annualised rent roll increasing to €1.2 million from €0.7 million
- Reduction in service charge cost leakage expected to come through implementation of advanced measurement and allocation techniques
- Expected three year geared IRR in excess of 20% based on business plan


External view


Meeting room


Smartspace office

	Acquisition €m	19 months' progress to 31 March 2019 €m	Business plan target to 31 March 2020 €m	Total expected improvement €m
Total acquisition cost/valuation	16.1	18.0	24.5	8.4
Invested equity	8.0	—	—	—
Annualised rent roll	0.7	1.2	1.8	1.1
Annualised net operating income	0.4	0.9	1.6	1.2
Occupancy	38%	55%	85%	47%
EPRA net yield[1]	2.3%	4.9%	6.1%	—

	Date of acquisition to 31 March 2019 €m
Retained profit[2]	0.6
Valuation increase	1.9
Capex	(1.2)
Cumulative total return	**1.3**

(1) Includes purchaser acquisition costs.

(2) Retained profit calculated as net operating income less bank interest.

Expected returns at maturity

Geared annualised IRR	21%
Ungeared annualised IRR	12%

Continued high transaction volumes

Introduction

Sirius continues to operate solely in Germany where its main focus is the German light industrial real estate market. The Company also invests into the secondary office market as well as the modern warehouse business park market, but Sirius is mostly recognised as an industrial property company. The main usage within its industrial assets is light manufacturing/production, storage and offices but in order to utilise all of the space within these business parks, the Company has developed serviced offices, self-storage and workbox products which it is able to develop and let up with its own development, marketing and lettings platform.

The Company has a very diversified tenant base where its largest tenants are typically industrial, storage or conventional office tenants on long-term leases and usually have been on site for many years. Conversely the serviced office, self-storage and workbox tenants are typically much smaller and on shorter, more flexible lease contracts. It is not very common for real estate companies to compete in so many different markets with their industrial and warehouse assets, but this is one of the big differentiators of Sirius, providing the Company with a significant competitive advantage.

Sirius focuses very much on the big seven German markets namely: Berlin; Hamburg; Frankfurt; Munich; Cologne; Stuttgart; and Düsseldorf. 86% of the value and 84% of the income the Group generates relate to these markets. As at 31 March 2019 the Group owned 55 and managed an additional 2 assets of which 64% are traditional industrial business parks, 22% are modern warehouse business parks and 14% are pure office buildings.

German economy

Germany's recovery from the global financial crisis is regarded as being considerably stronger than in the euro area as a whole. Over the past few years the German economy has benefited from strengthened domestic demand, export performance and its status as being considered a safe haven which has resulted in significant capital inflows. Supported by a prevailing low interest rate environment business investment has accelerated and unemployment has reduced to record lows which has led to a fiscal surplus. The strong export performance is primarily due to an innovative manufacturing sector that specialises in highly complex, technologically intensive capital goods. The manufacturing sector is itself supported by a deep Mittelstand (the German SME) business sector which provides essential goods and services and represents 99% of all German companies.

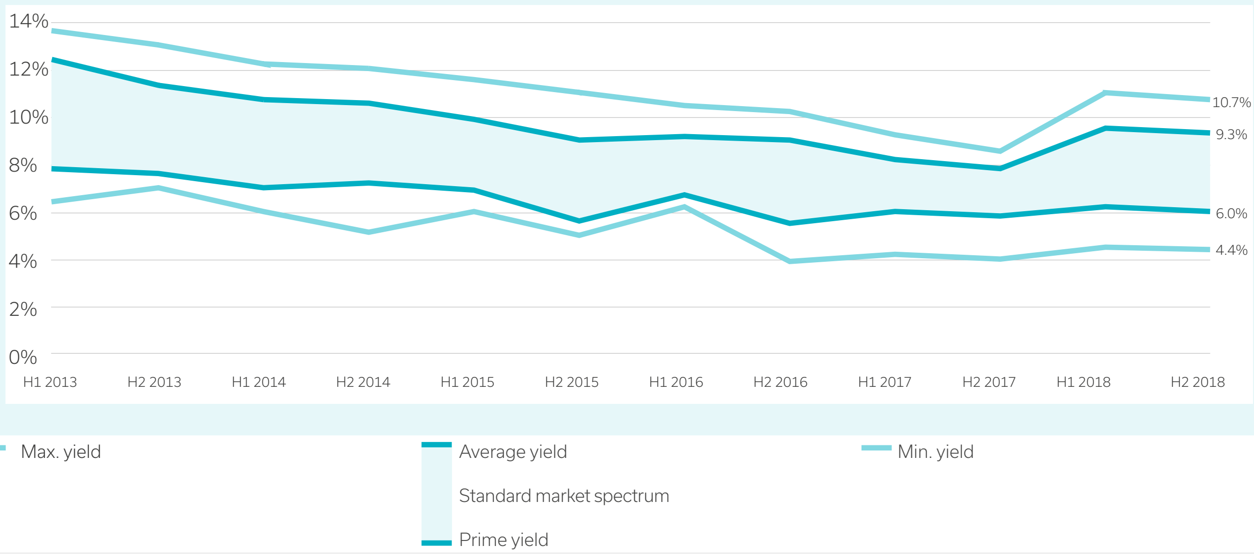
Looking ahead economic growth is generally expected to slow due to potential impacts on exports from protectionism and downside risks relating to the impact of the United Kingdom leaving the European Union. However according to the Organisation for Economic Co-operation and Development ("OECD"), growth for 2019 is still expected to be 1.4% underpinned by continued employment growth, real wage gains and continued growth in business investment whilst growth for 2020 is projected to be 1.6%.

German commercial real estate market

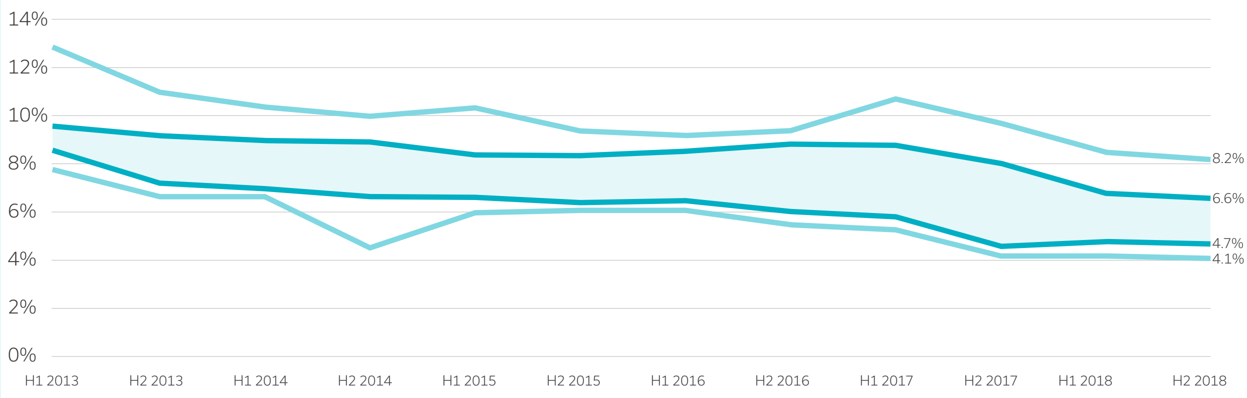
2018 was a record one for German commercial real estate with transaction volume exceeding €60.0 billion for the first time, marking the fourth consecutive year of volumes in excess of €50.0 billion. These consistently high investment volumes clearly underline Germany's status as one of the most desired locations in the world for commercial real estate investment. The investment activity is predominately focused on Germany's top seven cities which represented 55% of overall transaction volumes with Frankfurt recording the highest volumes closely followed by Berlin.

Many new investors entered the German commercial real estate market alongside existing investors further increasing their overall investments in Germany. The largest investor types investing in 2018 were insurance companies, private equity funds and pension funds. This large influx of investors has meant that competition for assets has remained high and this has had further impacts on pricing over the last year. In particular industrial, logistics and office assets have seen the biggest increases in demand over recent years and this has been reflected in the yield movements within these asset classes. Whilst we have seen further movements in the 2018 calendar year it was less pronounced than in prior years. However, we have noticed that investors are prepared to pay a premium for good quality properties in well-located areas with a strong long-term tenant base as evidenced by continued contraction of yields for such assets into the first quarter of 2019. This plays well for Sirius' strategy as its asset management model is designed to take difficult assets and convert them into these much more desirable assets.

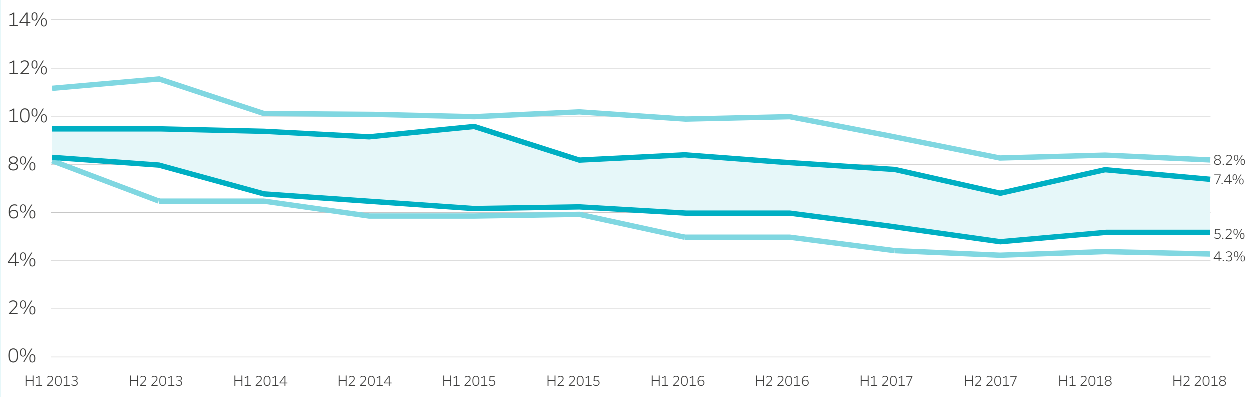
Business parks



Warehouse/logistics properties



Light manufacturing properties



Source: Initiative Unternehmensimmobilien, bulwiengesa, H2 2018.

Additionally, despite the significant yield compression that has been experienced over recent years, cash on cash returns remain highly attractive in the asset classes within which Sirius invests because of the good long-term banking deals that are available and the increasing rent levels that industrial and office assets are seeing in the market currently.

German industrial real estate market

The 2018 calendar year saw again significant investment activity into the German "Unternehmensimmobilien" market with transaction volume of approximately €2.6 billion being recorded. Whilst not a record year as far as volumes are concerned, it was the type of investors entering the market and the prices they were paying which were noteworthy. We again saw private equity, sovereign wealth, insurance companies, private investors, asset managers, public companies and increasingly funds managed by banks active in the industrial and logistics asset class. The broadening of the investor base of these assets over time is indicative of the increasing appeal of the sector which is now regarded as not just high yielding but a sector that with the right operating platform can deliver sustainable and attractive risk-adjusted returns.

The main development over the last year has been the completion of a number of large portfolio deals that represented significant foreign investment into the market. Such portfolio transactions accounted for the majority of recent transaction volumes. Local operators and private investors continue to be the main investors in single asset transactions, which continue to trade frequently; however, it is the foreign investors and banks that are investing into the large portfolio deals. These large deals may taper off into the new financial year whilst investors develop their asset management platforms and integrate newly acquired assets.

Like the other commercial real estate asset classes, investment volumes into industrial and logistics assets in 2018 focused primarily around the main German cities which resulted in the metropolitan areas of Berlin, Munich, Hamburg and Stuttgart seeing the majority of transactions. High investment volume was also seen in the office market in 2018 which has continued into 2019 with €5.8 billion of office space being transacting. As might be expected tenant demand was also most keenly felt in these areas where occupiers increasingly consider the secondary and tertiary locations around these cities due to shortage of available supply and as a cost-effective alternative to city centre locations. Whilst the big industrial tenants seeking long-term leases are still actively taking space in the sector, there is a trend of increasing demand for smaller spaces which provide tenants with flexibility and certainty over costs. Whilst lease terms generally appear to be shortening, rolling leases with indexation clauses are becoming increasingly popular, providing tenants with much desired flexibility. Landlords with the sales, marketing and operating platforms that can deal with this are at a significant advantage.

Measuring our progress

KPI	KPI measure

Adjusted profit before tax (€m)

Reported profit before tax adjusted for property revaluation, changes in fair value of derivative financial instruments and other adjusting items including expenses relating to share incentive plans and other costs considered to be non-recurring in nature such as restructuring costs and expected selling costs relating to assets held for sale.

€46.2m ↑ **25.9%**

19	**46.2**
18	36.7
17	35.3
16	22.9
15	12.6

EPRA earnings per share (c)

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

4.47c ↑ **47.0%**

19	**4.47**
18	3.04
17	3.18
16	1.88
15	1.41

Dividend per share (c)

Total dividend for the reporting period which is calculated as a percentage of funds from operations ("FFO"). The Company's policy is to pay out 65% of FFO but this year the Directors decided to pay out 70% of FFO to compensate for the timing of reinvesting the proceeds from disposals and the March 2018 equity raise.

3.36c ↑ **6.3%**

19	**3.36**
18	3.16
17	2.92
16	2.22
15	1.61

Property valuation (€m)

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

€1,132.5 ↑ **21.6%**

19	**1,132.5**
18	931.2
17	823.3
16	687.5
15	545.6

EPRA NAV per share (c)

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

74.82c ↑ **16.6%**

19	**74.82**
18	64.18
17	57.84
16	52.72
15	47.91

Average rate per sqm (€)

Average letting rate per sqm for the total portfolio.

€5.78m ↑ **5.9%**

19	**5.78**
18	5.46
17	5.27
16	5.06
15	4.75

Occupancy (%)

Percentage of total lettable space occupied as at reporting date.

86.1% ↑ **8.0%**

19	**86.1**
18	79.7
17	80.5
16	80.1
15	78.7

Strategic priorities

- Active portfolio management
- Transformation and conversion of vacant space
- Occupancy and rental growth
- Improvement in service charge recovery
- Growth through acquisition and recycling

Commentary	FY19/20 ambition	Link to strategy
Adjusted profit before tax for the year ended 31 March 2019 was €46.2 million, representing an increase of 25.9% on the same period the previous year. The earnings drag from the timing of asset recycling was largely offset by excellent organic growth.	To increase adjusted profit before tax as a result of organic growth and through a combination of recently acquired assets and new acquisitions funded by proceeds generated through asset recycling and the new venture with AXA IM – Real Assets.	
EPRA earnings per share for the year ended 31 March 2019 was 4.47c, representing an increase of 47.0% on the previous year. The increase is mainly due to organic growth and the completion of the prior year's asset recycling activity, which offset the impact of the current year recycling activity, and increase in the number of shares issued as a result of the March 2018 equity raise which were used to fund new acquisitions that will only have a full year impact on earnings in the new financial year.	To increase EPRA earnings per share as a result of organic growth and through a combination of recently acquired assets and new acquisitions funded by proceeds generated through asset recycling and the new venture with AXA IM – Real Assets.	
The final dividend declared of 1.73c represents an increase of 8.1% on the same period the previous year. The total dividend for the year is 3.36c, an increase of 6.3% on the prior year. The Company continues to offer shareholders the ability to receive dividends in scrip rather than cash.	To grow the dividend primarily through the accretive impact on earnings of acquisitions and the continued roll-out of the capex investment programmes which are key drivers of organic growth. The Company remains committed to its policy of paying shareholders at least 65% of FFO semi-annually.	
The book value of the Group's investment property increased by 21.6% as a result of acquisitive and organic growth. The like-for-like portfolio increased in book value by €128.2 million or 13.3%. The portfolio is now valued at an average gross yield of 7.8% (31 March 2018: 8.1%) and net yield of 6.8% (31 March 2018: 7.2%).	To continue to grow the value of the Group's portfolio through acquisitions and valuation increases by increasing income across the portfolio. This is expected to come partly from contracted rental increases and uplifts on renewals but more importantly through the development and letting up of sub-optimal and vacant space through the Group's capex investment programmes.	
EPRA NAV per share increased in the period by 16.6% to 74.82c (31 March 2018: 64.18c). This is mainly attributable to the valuation increases seen in the year, as well as the retention of a portion of FFO which is generated.	To grow EPRA NAV per share through the Group's asset management initiatives for organic growth and asset recycling.	
The average rate per sqm increased to €5.78 at 31 March 2019 from €5.46 at the same point of the previous year, representing an increase of 5.9%.	To continue to grow average rate and rental income whilst also improving the quality of the sites through investment and management of the tenant base.	
Occupancy increased to 86.1% in the period due to the conversion and let up of more sub-optimal space in the period, as well as the sale of two large non-core assets with limited occupancy. Like-for-like occupancy increased from 82.5% to 85.8%.	To reduce vacancy relating to sub-optimal space by transforming this space into higher-quality conventional space and flexible workspace making further progress by increasing occupancy in recently acquired sites with significant vacancy.	

Increased portfolio quality and potential

Introduction

The Sirius internal asset and property management platform continues to be a significant driver of value and key to the Company's ability to deliver attractive returns to shareholders. The operating platform has been developed over many years and there has been major investment into systems and processes as well as the development of people. As a result, the Company is now benefiting from the specialist knowledge and skills that it has built across multiple functions including acquisitions, disposals, financing, capital investment and development, lettings, service charge recovery, supplier management, debt collection, lease management and financial reporting. The year under review has seen further improvements across these disciplines and the Company has continued to grow profits and add value to the portfolio.

€25.6m

proceeds from the sale of three assets

€116.4m

of new asset acquisitions completed or notarised in the period

€87.8m

total annualised rent roll

€5.78

average rate per sqm

Asset recycling, acquisitions and disposals

During the year to 31 March 2019 Sirius has continued to execute its strategy of selective asset acquisition and recycling. Funds were generated to invest into new acquisitions from the following sources:

- €39.0 million from the equity raise that completed in March 2018;
- €25.6 million from the disposal of three assets in Bremen; and
- €22.1 million from a new banking facility with PBB Deutsche Pfandbriefbank.

To date Sirius has invested or plans to invest these funds into the following acquisitions:

- four assets totalling €65.1 million located in Friedrichsdorf (near Frankfurt), Fellbach (near Stuttgart), Mannheim and Bochum, which all completed in the financial year;
- two assets totalling €15.2 million located near Hamburg and Freiburg completed shortly after the financial year end; and
- strong pipeline, expecting to acquire another asset for approximately €35.0 million that will be part financed by PBB Deutsche Pfandbriefbank.

In addition to this the Company announced a new venture with AXA IM – Real Assets whereby it has agreed to sell 65% of its interest in five assets, whilst retaining the other 35% as Sirius' initial share in the venture. The transaction is expected to generate around €70.0 million of new equity for the Company to invest which, when combined with new lending, provides the funds for a further €120.0 million of acquisitions. The Company has developed a promising pipeline of potential opportunities for this, as well as new opportunities for the venture itself.

The disposals that occurred in the period included the non-core Bremen Hag and Bremen Brinkmann assets which had been targeted for sale as well as the smaller mixed-use Bremen Dötlinger asset. The disposal of the Bremen assets represents a successful exit from a challenging market. In addition to local market conditions, these assets were unable to make the returns that the Company achieves on other assets due to the significant amount of vacant space they had which was considered unsuitable for worthwhile investment. The three sites were sold at an EPRA net initial yield of 3.5% and generated equity of €25.6 million, which can now be reinvested in opportunities with greater scope for income and valuation growth. In addition to the site disposals referred to above, the Company sold a non-income producing piece of land and a residential building, generating proceeds of €1.8 million which will be reinvested into the Company's capex investment programmes.

A summary of the disposal activity in the year to 31 March 2019 is included in the table below:

Site	Total proceeds €000	Sqm	Annualised acquisition rent roll* €000	Annualised acquisition NOI €000	EPRA net initial yield*(1) %	Occupancy %*
Bremen Brinkmann	15,500	121,501	1,846	864	5.2	56
Bremen Hag	3,800	59,153	478	(252)	(6.2)	18
Bremen Doetlinger	6,300	10,273	479	346	5.1	82
Rostock land	1,200	—	—	(8)	n/a	n/a
Markgröningen residential building	625	1,331	—	—	n/a	n/a
Total	**27,425**	**192,258**	**2,803**	**950**	**3.2**	**n/a**

(1) Includes estimated purchaser costs.

* See glossary section of the Annual Report and Accounts 2019.

The year to 31 March 2019 was another year that featured significant acquisition activity. A summary of the acquisition activity in the year, which includes the two assets located in Saarbrücken and Düsseldorf that were prepaid in the prior financial year, are detailed in the table below:

	Total investment (incl. acquisition costs) €000	Total acquisition sqm	Acquisition occupancy %	Acquisition vacant sqm	Annualised acquisition rent roll* €000	Acquisition non-recoverable service charge costs €000	Acquisition maintenance costs €000	Annualised acquisition NOI* €	EPRA net initial yield*(1) %
Completed									
Saarbrücken	28,065	47,350	65	16,744	3,057	(491)	(43)	2,524	9.0
Düsseldorf II	8,084	8,672	80	1,704	627	(83)	(8)	536	6.6
Friedrichsdorf	17,707	17,306	92	1,426	1,357	(87)	(10)	1,260	7.1
Fellbach	12,070	25,420	79	5,329	1,043	(139)	(23)	881	7.3
Mannheim	9,616	15,052	69	4,688	801	(207)	(18)	576	6.0
Bochum	25,705	55,650	95	2,676	2,591	(260)	(50)	2,282	8.9
Subtotal	**101,247**	**169,450**	**81**	**32,567**	**9,476**	**(1,267)**	**(152)**	**8,059**	**8.0**
Notarised									
Buxtehude	8,690	28,532	—	28,532	—	(426)	(51)	(479)	(5.5)
Teningen	6,497	20,062	88	2,486	806	(244)	(20)	542	8.3
Subtotal	**15,187**	**48,594**	**36**	**31,018**	**806**	**(670)**	**(71)**	**63**	**0.4**
Total	**116,434**	**218,044**	**71**	**63,585**	**10,282**	**(1,937)**	**(223)**	**8,122**	**7.0**

(1) Includes estimated purchaser costs.

* See glossary section of the Annual Report and Accounts 2019.

The Company's acquisition strategy has continued to focus on acquiring assets in the areas outlying Germany's "big seven" cities where it has been establishing critical mass. Of the eight assets completed or notarised in the period five of them are located within the Hamburg, Düsseldorf or Frankfurt markets where the Company has strong knowledge and will benefit from operational synergies.

The Saarbrücken asset was acquired for total acquisition costs of €28.1 million representing an attractive EPRA net initial yield of 9.0%, which is partially reflective of the planned move-out of the major tenant and a further 16,744sqm of vacant space, providing excellent value-add potential. The major move-out is scheduled for September 2019 and relates to over 8,000sqm on which the tenant is paying a rate of €7.26 per sqm. To date the Company has re-let 7,640sqm at a rate of €7.23 per sqm. As a result, we expect this acquisition to generate an attractive return on equity particularly when taking into consideration it is financed with a seven year €18.0 million loan facility from the local Saarbrücken Sparkasse charged with an all-in fixed interest rate of 1.53%.

The two assets acquired or notarised for completion in the year that are not considered to be in the big seven cities are located in Teningen near Freiburg and Bochum, which are regarded as well-established and desirable industrial areas that fit well into the Sirius business model. The investment case for Bochum is similar to that of Saarbrücken in that it was acquired with an EPRA net initial yield of 8.9% due, in part, to the expected move-out of the anchor tenant from 25,898sqm in June 2019. Having secured two replacement tenants paying a higher rate for all of the vacated space the Company is well positioned to generate attractive income and valuation increases from this asset. The remaining acquisitions that completed in the period are in locations the Company has excellent market knowledge of due to existing operations and provide the Company with a combination of high-quality, stable income alongside opportunity to utilise its operating platform to grow income and extract significant value.

The acquisition assets that actually completed in the year under review were purchased on a blended EPRA net initial yield of 8.0% which is significantly higher than general market evidence in this sector. In addition, with the opportunity to replace existing tenants at higher rates and in excess of 32,000sqm of space to let, we are confident about the prospects for the new acquisitions.

Market conditions continue to make it more challenging to acquire properties which fit the Company's investment returns profile. Within the financial year the Company reviewed more than 1,000 investment opportunities in order to acquire or notarise the eight assets described above. This demonstrates the extent of work required to find investments and the discipline of our approach in ensuring we continue to acquire the right assets. By analysing these many opportunities, a wealth of market information is built up that allows us to assess where the market is trading and how it is developing and track the history of assets that may come back on the market in the future. Our focus for value generation is on assets that other owners find a challenge and where there is less competition allowing us to dictate the acquisitions process. Despite increased pricing expectations from sellers the Company does not intend to alter its investment approach and is confident of being able to continue to source attractive opportunities.

Rental growth and new lettings

The year under review was an excellent one for rental growth with the Company delivering rental and other income from investment properties of €84.4 million up from €71.8 million from last year. The Company also delivered a record 7.1% increase in like-for-like annualised rent roll, building on a strong 6.2% increase in the prior period. Two-thirds of the increase in like-for-like organic growth was achieved as a result of increases in rate whilst occupancy contributed one-third. This year's result was even more pleasing when considering the impact of the expected move-out in the first half of the financial year of three large tenants contributing €1.1 million of annualised rent roll on assets that had been recently acquired. The new financial year is expected to be similarly impacted by some expected move-outs in the first half of the financial year; however, progress on the re-letting of this space has been promising. Total annualised rent roll grew from €79.5 million(1) at the start of the period to €87.8 million at year end. The increase in annualised rent roll of €8.3 million is explained as follows:

» €3.0 million lost from disposals;

» €5.8 million gained from acquisitions; and

» €5.5 million increase from organic growth on the existing portfolio.

(1) Includes €3.7 million of annualised rent roll relating to the Saarbrücken and Düsseldorf II assets that were prepaid at 31 March 2018 and completed on 1 April 2019.

Whilst like-for-like occupancy increased to 85.8% from 83.7%, total occupancy which includes the impact of acquisitions and the disposal of three sites with a total of 98,000sqm of vacant space increased from 79.2% to 86.1%. Similarly, whilst the average rate per sqm for the like-for-like portfolio increased by 4.4% to €5.88 per sqm (31 March 2018: €5.63), the total portfolio average rate increased by 5.9% to €5.78 per sqm (31 March 2018: €5.46) reflective of both higher rates being achieved on acquisition sites and the lower rates in disposal sites. Both the strong rate increases and the reduction of vacancy reflect the Company's ability to deliver uplifts and let space through active asset management as well as the positive impact of asset recycling.

Tenant move-ins of 171,000sqm were at an average rate of €7.25 per sqm compared to move-outs of 141,000sqm at an average rate of €6.86 per sqm. Contractual rent increases and uplifts upon renewal contributed a further €2.2*million of annualised rent roll in the period. These contractual escalations and renewal increases represent a 2.9% elevation on the rents at the start of the financial year. One of the main drivers behind the strong lettings performance has been the generation of over 14,000 enquiries in the year of which 80% came from the Company's internally developed websites and a large number of online portals through which Sirius advertises. Improving the quality of leads is a continuing focus for the internal sales and marketing platform and in the period Sirius delivered an enquiry to sales conversion ratio of 14% which resulted in approximately 2,000 new deals being signed in the year. Sirius has further developed its external broker channels to focus mainly on larger lettings and is pleased to report that a number of attractive long-term deals were secured through this channel in the period including Land Berlin at Berlin Tempelhof, a well-known Stuttgart-based German sports car manufacturer at Weilimdorf and FOM, an educational body at Neuss.

* Uplifts include investment rents.

Capex investment programmes

The Group's ability to generate high returns from its capex investment programmes continues to be a key differentiator of Sirius from its competitors and an important driver of income and valuation growth for the Company. The investments the Company undertakes are specifically designed to unlock income and value through the transformation of vacant and sub-optimal space into both higher-quality conventional space and flexible workspace that fit the Company's innovative range of Smartspace products. This provides the Company with optionality for space configuration, particularly the difficult space on industrial and modern business parks that most other operators leave as structural vacancy. This is one of the primary drivers behind some of the exceptional asset level IRRs that have historically been achieved. Examples of these can be found in the case study section within this report.

The original capex investment programme commenced in January 2014 and was focused on just over 200,000sqm of sub-optimal space in need of transformation. We are pleased to report that as at 31 March 2019 this programme is substantially complete with a total of 195,415sqm of this space completely refurbished and the remaining 9,493sqm either in the process of being refurbished or awaiting permissions to proceed. A total of €23.7 million has been invested into the transformed space and, at 83% occupancy, it is generating €12.6 million of annualised rent roll representing an income return on investment of 53.2%. This return does not include the additional benefit of improved cost recovery from letting this space nor the valuation increase estimated at more than €100.0 million that has been generated from the upgrading of the space and incremental income realised.

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

Original capex investment programme progress	Sqm	Investment budgeted €m	Actual spend €m	Annualised rent roll* increase budgeted €m	**Annualised rent roll* increase achieved to March 2019 €m**	Occupancy budgeted %	**Occupancy achieved to March 2019 %**	Rate per sqm budgeted €	**Rate per sqm achieved to March 2019 €**
Completed	195,415	25.2	23.7	10.8	**12.6**	81	**83**	5.70	**6.50**
In progress	6,630	1.4	0.5	0.4	**0.1**	88	**—**	5.39	**—**
To commence in next financial year	2,863	0.5	—	0.1	**—**	84	**—**	5.13	**—**
Total	204,908	27.1	24.2	11.3	**12.7**	81	**—**	5.68	**—**

* See glossary section of the Annual Report and Accounts 2019.

Although the majority of income has already been realised from the original capex investment programme, some further potential for increasing rents and values remains mainly from completing the investment into the remaining 9,493sqm of space that has not been fully renovated. In order to complete this a further €1.8 million of investment is required to generate €0.5 million of extra annualised rent roll. Furthermore, it can be seen that the original investment programme will be delivered well below budget the income achieved is far greater than first forecast. This is a reflection of the Company's increased operational efficiency and effectiveness in delivering and realising a wide range of investment projects across multiple locations.

In April 2016 the Company commenced the new acquisitions capex investment programme on assets acquired after that date. The Company identified 122,168sqm of sub-optimal space across 21 new assets in need of investment. Sirius has executed a clear strategy to acquire assets with high levels of difficult vacancy which it has full confidence in transforming. The incremental income realised from the continual investment into such space has played a key role in allowing the Company to achieve its targets and deliver consistent returns. Due to the nature of the underlying space the development and refurbishment work within the new acquisitions capex investment programme is more capital intensive and expected to generate lower income returns than the original capex investment programme, but the potential for increase in valuation is greater given the extent of the space upgrade being undertaken. A total investment of €31.0 million is expected to generate €9.4 million of incremental annualised rent roll on a blended occupancy of 85%. The details of this programme including progress to date is highlighted below:

New acquisitions capex investment programme progress	Sqm	Investment budgeted €m	Actual spend €m	Annualised rent roll* increase budgeted €m	**Annualised rent roll* increase achieved to March 2019 €m**	Occupancy budgeted %	**Occupancy achieved to March 2019 %**	Rate per sqm budgeted €	**Rate per sqm achieved to March 2019 €**
Completed	53,148	10.7	9.7	4.2	**2.6**	84	**54**	7.91	**7.48**
In progress	26,716	12.5	2.3	2.4	**0.8**	91	**—**	8.07	**—**
To commence in next financial year	42,304	7.8	—	2.8	**—**	82	**—**	6.63	**—**
Total	122,168	31.0	12.0	9.4	**3.4**	85	**—**	7.52	**—**

* See glossary section of the Annual Report and Accounts 2019.

With continuing strong occupier demand for both conventional and flexible workspace the speed at which this space can be transformed is important. As at 31 March 2019 a total of 53,148sqm was fully converted with an investment of €9.7 million generating incremental annualised rent roll of €2.6 million on occupancy of 54%.

What remains in this programme is a further investment of €18.0 million into 69,021sqm of space which is expected to complete over the next two financial years. In total the programme is expected to generate a further €6.0 million of annualised rent roll over the next two years. It is difficult to say exactly what impact on valuations this investment will have but, as mentioned above, given the high upgrade of the space it is expected to very positive. As a result, we are targeting total returns at the asset level being similar to those achieved by the original capex investment programme.

Improving and well-diversified portfolio

Whilst the Company has successfully executed a strategy of recycling equity out of mature and non-core assets and into assets with greater opportunity, the well-diversified characteristic of the Company's rental income has remained consistent. The stable income which comes from the top 50 anchor tenants which are predominantly multinational corporations account for approximately 44% of total annualised rent roll whilst the more flexible, higher-rate income from the Company's Smartspace products accounts for approximately 6% of the annualised rent roll. The remaining 50% of Sirius' annualised rent roll is contracted to over 2,400 SME tenants which is Sirius' key target market group and which it is able to attract in significant volumes through its in-house marketing and lettings platform. The capability to let large quantities of existing vacancy and newly created space by utilising its in-house resources is a key competitive advantage for Sirius and results in a significantly de-risked real estate portfolio than would typically be associated with the asset class and a 2.8 year weighted average lease expiry. As a result, the Company benefits from the high yields and value-add opportunities associated with industrial property whilst mitigating risk to a far greater extent than its competition.

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

	No. of tenants as at 31 March 2019	Occupied sqm	Annualised rent roll* €m	% of total annualised rent roll* %	Rate per sqm €
Top 50 anchor tenants(1)	**50**	584,299	38.3	44	5.47
Smartspace SME tenants(2)	**2,310**	59,576	5.5	6	7.70
Other SME tenants(3)	**2,458**	621,883	44.0	50	5.89
Total	**4,818**	1,265,758	87.8	100	5.78

(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 Annual Report and Accounts 2019.

Opportunity within vacancy

Unlike many other property companies, the vacancy within Sirius' portfolio is viewed as a major opportunity rather than a burden. The Company is actively looking to acquire assets with vacancy, particularly that which it can acquire on a discounted basis due to the extent of work and investment required to bring the space into lettable condition. As such the headline vacancy number that the Company reports is significantly different than the vacancy that is available to let due to the large amount of space that is subject to ongoing investment. Additionally, the Company has historically held substantial structural vacancy within its non-core sites but, following the disposal of the non-core assets in the period, structural vacancy has reduced to 2% which is low for a large portfolio of industrial assets and reflective of the manner in which the Company invests and unlocks value in spaces that other operators would disregard. The analysis below details sub-optimal space and vacancy at 31 March 2019 and highlights the opportunity from developing this space as well as the impact of selling the non-core sites.

Vacancy analysis – March 2019

Total space (sqm)	1,469,675
Occupied space (sqm)	1,265,758
Vacant space (sqm)	203,917
Occupancy	86%

	% of total space	Sqm	Capex investment €	ERV* (post investment) €
Subject to original capex investment programme	1	9,493	1,839,985	459,891
Subject to acquisition capex investment programme	5	69,021	18,031,044	5,950,963
FlexiLager vacancy	—	4,607	—	282,841
Total sub-optimal space	6	83,121	19,871,029	6,693,695
Structural vacancy core sites	2	29,033	—	—
Lettable vacancy				
Smartspace	1	16,817	—	1,295,668
Other vacancy	5	74,946	3,927,737	5,152,934
Total lettable space	6	91,763	—	—
Total sub-optimal space/vacancy	**14**	**203,917**	**23,798,766**	**13,142,297**

* See glossary section of the Annual Report and Accounts 2019.

As illustrated in the table above, the total sub-optimal space and vacancy of 14% can be reduced to 6% when taking out the space that requires investment and the 2% structural vacancy. The Company has consistently been able to run the portfolio with 6% vacancy levels based on space that is available to let. Therefore, upon completion of the capex investment programmes an occupancy level of 92% could be reached. However, it is unlikely that the Company will reach this position because it is continually looking to re-fuel the new acquisitions capex investment programme by acquiring assets with significant amounts of vacant space. Based on current market conditions this strategy is considered to be the most accretive way of growing the business and improving shareholder returns.

In order to highlight how developing the sub-optimal space and vacancy may impact the valuation of the Company's portfolio, it is useful to separate the mature portfolio from the value-add portfolio. The table below illustrates this based on the 31 March 2019 valuation.

	Annualised rent roll* €m	Book value* €m	NOI* €m	Capital value* psqm €	Gross yield* %	Net yield* %	Vacant space sqm	Rate* psqm €	Occupancy* %
Core value-add	46.3	574.5	39.6	637	8.1	6.9	170,993	5.98	79.0
Core mature	41.5	558.0	38.9	823	7.4	7.0	32,923	5.58	95.0
Other	—	—	(1.7)	—	—	—	—	—	—
Total	**87.8**	**1,132.5**	**76.7**	**717**	**7.8**	**6.8**	**203,917**	**5.78**	**86.1**

* See glossary section of the Annual Report and Accounts 2019.

The mature portfolio now represents 49% of the total portfolio and typically includes assets that have occupancy levels in excess of 90% and hence reduced differentials between gross and net yields due to higher cost recovery. The remaining organic opportunity within the mature portfolio is through letting the remaining vacancy and exploiting the reversion in the existing rents, particularly from the upgrading of space vacated by existing tenants. In spite of the valuation increase already experienced in this segment of the portfolio, the gross yield of 7.4% remains higher than general market evidence of recently traded assets and portfolios.

The value-add portfolio, however, has a higher gross yield and differential with net yield indicating the significant opportunity within the 170,993sqm of vacant space that these assets contain. Of this space 77,570sqm is subject to ongoing specific capex investment programmes which, as detailed in this report, have been generating excellent returns from both an income and valuation perspective. These programmes are expected to add an additional €4.7 million of annualised rent roll from a further investment of €19.3 million. When the occupancy of the value-add portfolio increases due to the completion and let up of space related to the capex investment programmes our expectation is for gross yields to move towards that of the core mature portfolio and higher cost recovery to reduce the differential between net and gross yields.

Smartspace and First Choice

Smartspace continues to be a successful operation for Sirius and is particularly popular with tenants seeking flexible workspace solutions. The four Smartspace products and the newly developed First Choice Business Centre concept are specifically designed to create high-quality workspace from sub-optimal space that, when let with a fixed price, provide the flexible offering that small businesses increasingly desire.

The annualised rent roll generated from Smartspace products and First Choice increased from €5.2 million to €5.5 million in the year under review. Smartspace occupancy increased to 74% (31 March 2018: 70%) but even more pleasing was the 7.1% increase in average rate seen in the year which increased to €7.70 per sqm and followed an increase of 8.1% in the prior period. Such movements in rate reflect not just the benefit to pricing of continued high demand for Smartspace products but also how the Company captures reversionary value through contractual uplifts and increases on renewal.

From an investment point of view, the returns that are achieved from Sirius' assets are significantly enhanced by Smartspace conversion as it is created primarily through the transformation of sub-optimal or vacant space which is acquired for low cost into high-quality offices, storage space and workboxes. During the period a further 1,817sqm of Smartspace office and 1,894sqm of Smartspace storage was created.

In the year to 31 March 2019 the Company continued to build on the success of its First Choice Business Centre that opened in October 2017 in Wiesbaden (and which at year end had occupancy of 90%), by opening a new centre in November 2018 located in Neuss. The premium office specification of the First Choice Business Centres clearly distinguishes the brand as a five-star office space product from the three-star Smartspace offices, and we are hopeful that the concept can be developed successfully in other Sirius locations. The table below provides further detail on the Smartspace and First Choice products:

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	2,795	1,358	49	329	6	20.20
SMSP office	33,331	26,320	79	2,749	50	8.70
SMSP workbox	5,964	5,567	93	342	6	5.12
SMSP storage	30,702	22,777	74	1,823	33	6.67
SMSP subtotal	**72,792**	**56,022**	**78**	**5,243**	**95**	**7.80**
SMSP FlexiLager	8,162	3,554	44	263	5	6.17
SMSP total	**80,953**	**59,576**	**74**	**5,506**	**100**	**7.70**

* See glossary section of the Annual Report and Accounts 2019.

SUSTAINABILITY

Committed to equal opportunities

We value every single one of our employees and recognise that our success as a business is built on the great work of all of our employees.

400+

Since 2016 over 400 members of our staff have taken part in over 40 courses

176

176 training reports had been completed

50%/50%

We have a gender balanced workforce

Environment

Sirius continues to look for ways in which it can encourage sustainability and reduce its environmental impact and footprint. One of the key aspects of our business model is the recycling and reconfiguring of former industrial buildings. By doing this we are extending the life of ageing structures that alternatively would need to be completely rebuilt. Additionally, we aim to equip our tenants with the ability to monitor and manage their energy consumption and we have continued to make progress by installing meters to allow them to do this across our sites. This allows tenants to actively measure and identify where efficiencies can be found.

Community

This year Sirius has supported charities across Germany from small regional organisations to larger national organisations. Our approach to charity work continues to put employees' personal causes and experiences at the heart of the work we do. This ensures a deep commitment to the charities we as a business support. This year employees voted on the three charities to which they wanted to donate, being cancer charity Deutsche Krebhilfe, children's charity McDonald's Kinderhilfe and animal shelter Tierheim. The money raised for these charities was then doubled by the Company Directors. We are also supporting the next generation of entrepreneurs. This year we were the main partner and sponsor of the EBSprenuership Forum, Europe's largest student-led entrepreneurship congress. We also gave it free access to our business centres, so they could plan its next forum. Other initiatives that we are proud to report on include "Christmas in a Shoebox," where Sirius employees packed and donated shoeboxes full of gifts to children around the world.

Diversity

As a business we are totally committed to equal opportunities and a diverse workforce. We are signatories to the German Charter of Diversity, that means we are obliged to ensure all employees undertake basic training relating to equal rights in the workplace (Allgemeines Gleichstellungsgesetz) and we take steps to ensure this culture transcends our employees, as well as the providers of services to our business parks.

We have a gender balanced workforce (50% women and 50% men) and a third of our managers are now female. There is obviously still work to do but we believe we are heading in the right direction. We are very proud that Sirius' workforce is truly global, with our employees coming from all over the world – 32 different countries in total. We offer language lessons to help our employees learn new skills and integrate with others across our workforce. Last year we offered employees over 200 hours of English lessons and 150 hours of German lessons.

People

We value every single one of our employees and recognise that our success as a business is built on the great work of all of our employees. In recognition of this, this year our CEO, CFO and MD surrendered part of their 2015 LTIP award allowing it to be re-allocated to 79 Sirius employees who did not participate in the LTIP and making them shareholders. As a business we continue to invest in our people through a series of training and education initiatives. The Sirius Akademie internal training programme offers training for key employees across a range of topics including communication, finance and facility management and since 2016 over 400 members of our staff have taken part in over 40 courses. In the year to 31 March 2019 every employee received training and a total of 176 training reports had been completed. Sirius actively supports initiatives to support employees with health and wellbeing. We host regular team sports and other wellbeing events throughout the year under review including running, football and yoga.

"As a business we continue to invest in our people through a series of training and education initiatives."

An active and positive year

"The Company is now well placed to begin its next phase of growth in which multiple expansion and financing possibilities may be considered."

These condensed consolidated financial results for the twelve months ended 31 March 2019 are themselves not audited but are extracted from audited information. The audited Group annual financial statements were audited by Ernst & Young LLP, which expressed an unmodified opinion thereon. The audited Group annual financial statements and the Auditors' report thereon are available for inspection at the Company's registered office. The Directors take full responsibility for the preparation of the condensed consolidated financial results and that the financial information has been correctly extracted from the underlying audit Group annual financial statements.

Consistent shareholder accounting returns and further future potential

Strong organic growth and future potential through new venture

The Company delivered another strong financial performance in the year ended 31 March 2019 despite the impact to earnings of new acquisitions completing later than expected. The earnings shortfall due to the timing of acquisitions was, however, more than offset by the performance of the existing portfolio which contributed to an increase in rental and other income from investment properties to €84.4 million from €71.8 million. The Company recorded a 7.1% increase in like-for-like annualised rent roll which contributed to a 13.3% like-for-like increase in the portfolio book value in the period. Part of the valuation increases has derived from further yield compression since March, but the larger part has encouragingly come from income improvements which have positively impacted net asset value. The corresponding increase in adjusted net asset value per share, combined with total dividends paid in the period of 3.23c per share, has resulted in a total shareholder accounting return of 19.3%, the fourth consecutive year of returns in excess of 15%.

As described in the asset management review section of this report, the year under review was another one of high transactional volume with a total of three asset disposals, eight asset acquisitions (six completing and two notarised in the period) and a new loan facility completed with PBB Deutsche Pfandbriefbank. In addition, the Company announced the establishment of a new venture with AXA IM – Real Assets in March 2019 through the agreement to sell 65% of the Company's interests in five existing entities which is expected to complete in July 2019. With an implied property purchase price of €168.0 million compared to the last reported book value of €141.1 million at 30 September 2018 the venture will realise excellent value for the Company, provides further acquisition firepower through the equity released from the transaction, opens up investment opportunities previously not open to Sirius and creates an attractive income stream from Sirius' ongoing management of the assets.

Trading performance and earnings

The Company reported a profit before tax in the year ended 31 March 2019 of €144.7 million (31 March 2018: €89.6 million), representing a 61.5% increase from the prior year, including €99.9 million (31 March 2018: €63.5 million) of gains from property revaluations net of capex and adjustments in respect of lease incentives invested.

Funds from operations[1] increased by 26.0% to €48.4 million (31 March 2018: €38.4 million) of which approximately half has come from the strong organic growth within the existing portfolio and the other half has come from the impact of asset recycling activity being realised. The capex investment programme, contracted escalations, uplifts on renewals and other asset management initiatives have all contributed to the strong organic rental income growth, all of which are described in more detail in the asset management review section of this report.

(1) Refer to note 25 in the Annual Report.

On a per share basis, basic and diluted EPS, which includes the portfolio valuation gains described in the next section, showed a 43.8% increase to 12.78c per share whilst adjusted EPS increased by 16.1% to 4.58c per share. The differential between adjusted EPS and basic EPRA EPS and diluted EPRA EPS was significantly less than that at 31 March 2018 due to the impact of non-recurring items including restructuring costs and costs relating to share awards that impacted the prior year. The contribution of acquisitions acquired from the proceeds of the March 2018 equity raise and the disposals in the period was lower than expected due to the timing of completions which is reflective of how the Company is being more selective in its investing and how it is prioritising quality rather than speed to ensure that returns are not compromised. As a result, it was pleasing to see the strong organic performance compensate for the delay in timing of acquisitions.

	Earnings €000	No. of shares	31 March 2019 cents per share	Earnings €000	No. of shares	31 March 2018 cents per share	Change %
Basic EPS	128,657	1,006,966,788	12.78	81,272	914,479,339	8.89	43.8
Diluted EPS	128,657	1,011,666,788	12.72	81,272	939,394,339	8.65	47.1
Adjusted EPS	46,096	1,006,966,788	4.58	36,041	914,479,339	3.94	16.1
Basic EPRA EPS	44,995	1,006,966,788	4.47	27,783	914,479,339	3.04	47.2
Diluted EPRA EPS	44,995	1,011,666,788	4.45	27,783	939,394,339	2.96	50.5

Total revenue which comprises both rental and other income from investment properties and service charge income increased from €123.7 million to €140.1 million in the period. Total annualised rent roll at the end of the period increased by 10.4% from €79.5[1] million to €87.8 million of which 70% came from like-for-like organic growth and 30% from asset recycling. The movement in annualised rent roll is described in more detail in the asset management review within this report.

(1) Including two assets prepaid as at 31 March 2019 that completed on 1 April 2019.

With a starting rent roll for the new year of €87.8 million, existing resources to acquire more assets, the continuation of the Company's capex investment programmes and the significant contribution expected from acquisitions funded by proceeds from the new venture with AXA IM – Real Assets, the Company is well positioned to grow rent roll and FFO into the new financial year and beyond. In the new financial year, the Company expects the profile of annualised rent roll growth to mirror that of the financial year under review, where strong growth in the second half of the financial year follows a first half impacted by some large expected move-outs from recently acquired assets.

In addition to the like-for-like annualised rent roll increases seen over the last few years there have also been improvements in service charge recovery where leakage in recently acquired sites in particular has decreased materially as higher occupancy and specific allocation and recovery techniques have begun to have a positive effect.

Portfolio valuation and net asset value

The portfolio, including assets held for sale, was independently valued at €1,136.2 million by Cushman & Wakefield LLP at 31 March 2019 (31 March 2018: €969.8[1] million) which converts to a book value of €1,132.5 million after the provision for tenant incentives. The increase in book value of the portfolio of €165.2 million in the period is illustrated in the following table.

	31 March 2019 €000
Total investment properties at book value as at 31 March 2018[1]	**967,317**
Additions	**65,514**
Capex investment	**27,127**
Disposals	**(27,357)**
Surplus on revaluation above capex investment	**100,092**
Adjustment in respect of lease incentives	**(205)**
Total investment properties at book value as at 31 March 2019	**1,132,488**

(1) Including assets prepaid at 31 March 2018 that completed on April 1 2018.

The portfolio that was owned for the full period increased in book value by €128.2 million or 13.3% whilst the assets acquired in the year under review had a book value of €3.6 million above purchase price, offsetting most of the acquisition costs of €4.8 million. The increase in value of the newly acquired sites in the period shows that, despite increased pricing pressure and competition for assets in the German market, the Company is maintaining its selective approach and discipline in its investment decisions.

The valuation increase within the existing portfolio is driven 55% by income growth and 45% from approximately 38 bps of gross yield compression seen in the period. Despite yields tightening the average gross yield of the portfolio of 7.8% remains in our view reasonably defensive when compared to large transactions reported in the market at yields well below this level. Whilst like-for-like valuation increases have averaged close to 10% year on year, like-for-like increases in annualised rent roll have averaged close to 6% demonstrating the extent to which organic growth has contributed to the capital value of the portfolio.

Portfolio valuation and net asset value continued

The development of our portfolio valuations over the last five years can be seen in the table below:

	March 2015	March 2016	March 2017	March 2018	**March 2019**
Portfolio book valuation (€m)	545.6	687.4	823.3	967.3[(1)]	**1,132.5**
Annualised rent roll* (€m)	50.0	60.5	71.0	79.5	**87.8**
Gross yield* (%)	9.2	8.8	8.6	8.2	**7.8**
Like-for-like annualised rent roll increase* (%)	5.2	5.9	5.1	6.2	**7.1**
Like-for-like valuation increase (%)	6.4	10.9	8.5	11.6	**13.3**
Occupancy* (%)	79.0	80.0	80.5	79.2	**86.1**
Rate* (€sqm)	4.8	5.1	5.3	5.5	**5.8**

(1) Including assets prepaid at 31 March 2018 that completed on April 1 2018 at cost.

* See glossary section of the Annual Report and Accounts 2019.

The portfolio as at 31 March 2019 comprised 55 assets with a book value of €1,132.5 million and can be reconciled to the Cushman & Wakefield market valuation as follows:

	31 March 2019 €m	31 March 2018 €m
Investment properties at market value	**1,136.2**	933.7
Uplift in respect of assets held for sale	**—**	1.0
Adjustment in respect of lease incentives	**(3.7)**	(3.5)
Balance as at period end	**1,132.5**	931.2

As illustrated above, the 31 March 2019 book value of €1,132.5 million represents an average gross yield of 7.8% (31 March 2018: 8.1%) which translates to a net yield of 6.8% (31 March 2018: 7.2%) and an EPRA net yield (including purchaser costs) of 6.3% (31 March 2018: 6.8%). The average capital value per sqm of the like-for-like portfolio of €717 (31 March 2018: €642) remains well below replacement cost and allows the Company to upgrade space and offer its products at lower prices than its competitors and still make higher returns. This is a significant competitive advantage for Sirius and one of the main reasons that its business model is able to produce higher returns with lower risk than the typical operator of light industrial and office business parks in Germany.

The valuation increases along with profit retention has meant the net asset value per share increased to 71.01c at 31 March 2019, an increase of 12.6% from 63.09c as at 31 March 2018. Similarly the adjusted net asset value[(1)] per share increased to 75.17c at 31 March 2019, an increase of 14.4% from 65.71c as at 31 March 2018. In addition, the Company has paid out 3.23c per share of dividends during the financial year, which equates to around 72% of FFO, giving a total shareholder accounting return (adjusted NAV growth plus dividends paid) of 19.3% (31 March 2018: 17.0%). The movement in adjusted NAV per share is explained in the following table:

(1) Excludes the provisions for deferred tax and derivative financial instruments.

	Cents per share
NAV per share as at 31 March 2018	63.09
Recurring profit before tax	4.52
Surplus on revaluation	9.77
Current and deferred tax charge	(1.56)
Scrip and cash dividend paid	(3.10)
Share awards and non-recurring items	(1.71)
NAV per share at 31 March 2019	**71.01**
Deferred tax and derivatives	4.16
Adjusted NAV per share at 31 March 2019	**75.17**
EPRA adjustments[(1)]	(0.35)
EPRA NAV per share at 31 March 2019	**74.82**

(1) Grant of 2018 LTIP shares.

The EPRA net asset value ("EPRA NAV") per share, which excludes the provisions for deferred tax and derivative financial instruments but includes the potential impact of shares issued in relation to the Company's long-term incentive programmes, was 74.82c (31 March 2018: 64.18c).

Financing

The Company continues to seek to optimise its lending and in addition to secured debt has continued to consider alternatives including unsecured borrowings such as corporate bonds, convertible bonds and Schuldschein agreements. During the year to 31 March 2019 the Company completed a new five year facility with Deutsche Pfandbriefbank AG for €56.0 million which includes a margin of 1.20% and amortisation of 2.0% per annum. The facility has been fixed by way of a five year swap. The fact that the Company is able to secure such attractive financing terms on industrial properties, warehouses and secondary offices reflects the confidence of lenders in Sirius' asset and property management platform and the way in which it can enhance cash flows and values whilst mitigating risk. The unsecured debt market offers interesting potential for financing flexibility and we continue to explore opportunities for that as and when we have new assets to finance or some of our portfolios' financing begins to expire.

The Group's total cost of borrowings currently stands at 2.0% (31 March 2018: 2.0%) whilst the weighted average debt expiry was 4.3 years (31 March 2018: 5.2 years). Total debt at the period end was €386.1 million (31 March 2018: €373.1 million), an increase of €13.0 million from last year, which was made up of €22.1 million of new borrowings drawn down in the period and €9.1 million of scheduled amortisation.

The Group's gross loan to value ("gross LTV") ratio reduced to 34.1% (31 March 2018: 40.8%), well within the Company target of 40%, whilst net loan to value ratio which includes unrestricted cash balances was 32.4% (31 March 2018: 31.9%).

Dividend

The Board communicated in the Annual Report two years ago that it would consider temporarily increasing the Company's dividend pay-out ratio above the 65% of FFO policy when material asset recycling and equity raise activity occurs in order to offset the impact from the time lag to invest or reinvest. In the financial year to 31 March 2018 the Board decided to increase the pay-out ratio to 75% of FFO due to the asset recycling relating to the disposal of €103.0 million of assets. For the year to 31 March 2019 the Board has decided to pay out 70% of FFO in order to offset the timing impact of investing the capital raised in March 2018 and reinvesting the proceeds generated from disposals in the period. The Company is pleased to report that it expects to have fully invested these proceeds in the first half of the new financial year, although it then expects to receive the proceeds of the AXA IM – Real Assets transaction in July 2019. The team is already reviewing acquisition opportunities for the €120.0 million of firepower that this transaction will deliver. The Board has declared a final dividend of 1.73c per share for the six month period ended 31 March 2019 (based on 70% of FFO), which is an increase of 8.1% on the 1.60c dividend relating to the same period last year (based on 75% of FFO). The total dividend for the year is 3.36c per share, an increase of 6.3% on the 3.16c total dividend for the year ended 31 March 2018. The table below shows the dividends paid and pay-out ratios over the last five years.

	Interim dividend per share (cents)	Final dividend per share (cents)	Total dividend per share (cents)	Pay-out ratio (% of FFO)
Year ending March 2015	0.77	1.61	2.38	65%
Year ending March 2016	0.92	1.30	2.22	65%
Year ending March 2017	1.39	1.53	2.92	65%
Year ending March 2018	1.56	1.60	3.16	75%
Year ending March 2019	1.63	1.73	3.36	70%

It is expected that for the period's final dividend, the ex-dividend date will be 10 July 2019 for shareholders on the South African register and 11 July 2019 for shareholders on the UK register. It is further expected that for shareholders on both registers the record date will be 12 July 2019 and the dividend will be paid on 22 August 2019. A detailed dividend announcement will be made in due course, including details of a scrip dividend alternative (which is subject to the receipt of SARB approval).

Outlook

The year to 31 March 2019 was another successful one boosted by excellent organic growth and progress on asset acquisitions and recycling despite an increasingly challenging market in which to find assets that meet the Company's return expectations. The record like-for-like annualised rent roll increase was supported by the continued upgrading of space as a result of the capex investment programmes, which combined has contributed to strong valuation gains. The agreement of a new venture with AXA IM – Real Assets will realise value for Sirius whilst significantly increasing the opportunity to drive shareholder returns into the future.

Some commentators are alluding to a possible slowdown in the Germany economy; however, Sirius is well positioned to continue generating growth due to the wide range of products offered, well-diversified tenant base and very significant value-add potential that remains within its portfolio based on a combination of the continued roll-out of our capex investment programmes and yield at which the portfolio is currently valued. The Company continues to maintain discipline in its investing and has increased the number of opportunities it analyses in order to identify acquisition opportunities which can generate attractive returns.

The Company's focus remains on delivering attractive and consistent risk-adjusted returns by way of active asset management throughout the property cycle. With acquisition firepower available, significant vacancy to develop, good reversion potential within the existing portfolio and the new venture to look forward to the Company is well positioned for the new financial year and beyond.

Alistair Marks
Chief Financial Officer
31 May 2019

Managing our risks

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

Risk management framework

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

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

Firstly, the Board categorises risk into five primary areas:

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

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

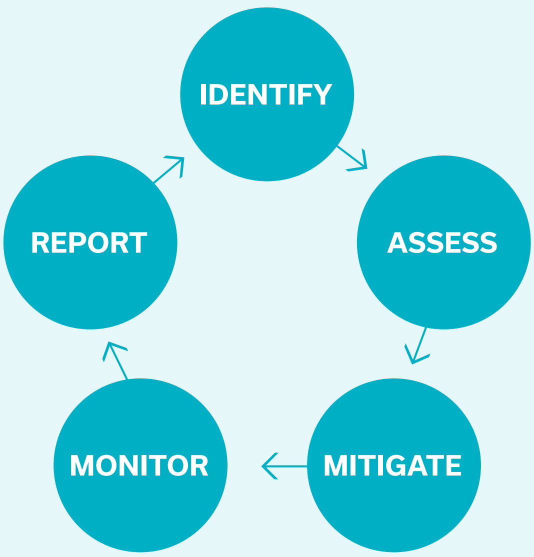
Finally, the risk register documents the controls in place that exist to mitigate the particular risk and sets out the frequency with which the risks are reviewed and by whom.

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

This process includes the following:

- reviewing regular risk reporting prepared by the Senior Management Team;
- assessing the effectiveness of control design and implementation; and
- overseeing and advising the Board on current risk exposures and future risk strategy.

Risk management process diagram



Risk management is an integral part of the Group's business and risks are considered at every level of decision making and across all business activities."

Risk management framework diagram

Board of Directors

» Overall responsibility for risk management.

» Overall responsibility for the Group's system of internal control and review of its effectiveness.

Audit Committee

» Delegated responsibility from the Board to oversee risk management and internal controls.

» Reviews the effectiveness of the Group's internal control and risk management processes.

» Monitors the independence and expertise of the external auditors.

Executive Directors

» Perform key business activity reviews, identify control deficiencies and redesign processes.

» Monitor the role and effectiveness of internal compliance.

» Communicate risk management information and key initiatives across the Group.

Senior Management Team

» Defines risk management responsibilities at operational and key initiative level.

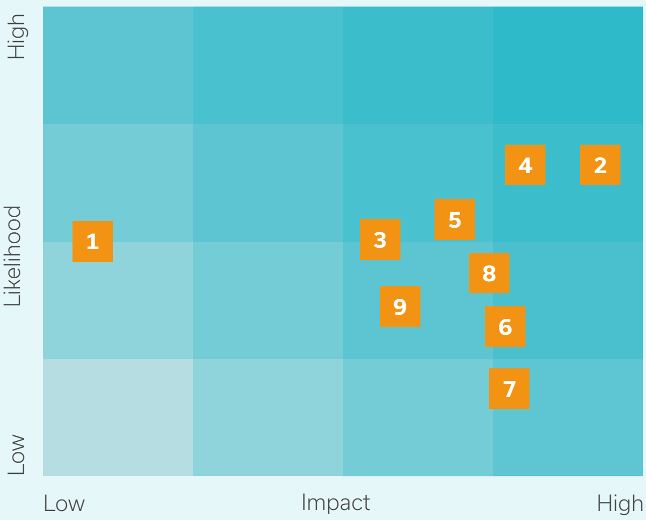
» Ensures risk is considered in all business decision making.

» Continuously identifies risks, provides assurance and self-assesses.

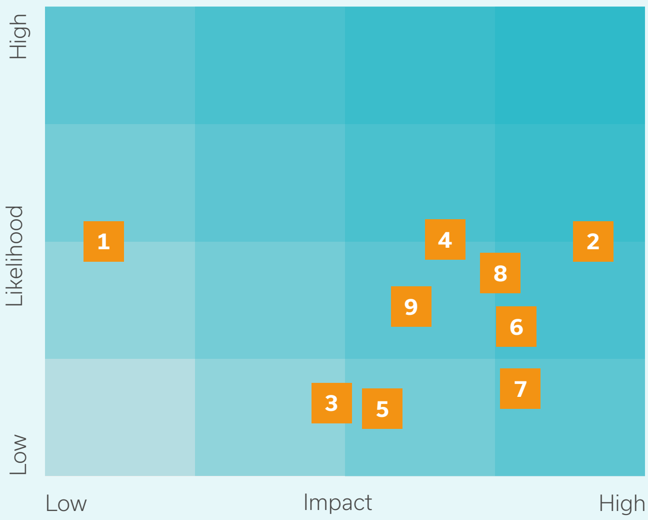
Principal risks summary

Risk category	Principal risk(s)
1 Financing	» Availability and pricing of debt » Compliance with facility covenants » Availability and pricing of equity capital » Increased reputational risk
2 Valuation	» Property inherently difficult to value » Susceptibility of property market to change in value
3 Market	» Reliance on Germany and the German economy » Reliance on specific industries and SME market
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
7 Regulatory and tax	» Non-compliance with tax or regulatory obligations
8 People	» Inability to recruit and retain people with the appropriate skillset to deliver the Group strategy
9 Systems and data	» System failures and loss of data » Security breaches » Data protection

Current assessment of principal business risks post mitigation



Previous assessment of principal business risks post mitigation



1 Financing

Principal risks

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

Potential impact

- Increase in cost of borrowing and reduction in Group profits.
- Inability to refinance when facilities expire.
- Increase in cost of raising capital and dilution of Group net assets.
- Requirement to dispose of assets at discounted values to service debt obligations.
- Reduced ability to acquire new assets.
- Acceleration of the Group's obligations to repay borrowings.
- Lender enforces security over the Group's assets and restricts cash flow to the Group.
- Reputational damage to Company from providers of capital.

Mitigation

- The Group has established a number of strong banking relationships with lenders which understand and value the manner in which the Sirius business model mitigates risk.
- The Group invests significant time and resource in engagement with shareholders and market participants on both a group and individual basis.
- The Sirius track record, methodology and experience of its Senior Management Team through the last downturn are valued highly by providers of capital.
- Equity capital is raised only when it is determined to be in the best interests of the Company and shareholders to do so.
- Bank facilities are only entered into where attractive rates and long facility terms can be secured.
- It is Group policy to mitigate interest rate risk by fixing or capping interest rates on facilities.
- Loan facilities incorporate covenant headroom, cure provisions and sufficient flexibility to facilitate asset management initiatives including asset substitution.
- The Group operates a value-add business model which includes investing into its assets and significantly improving net operating income. This has the effect of further increasing covenant headroom and significantly mitigating the risk of breaching bank covenants.
- Bank reporting is prepared and reviewed regularly.
- The Group policy is to maintain a gross LTV ratio of 40% or below.
- The Group holds seven assets on an unencumbered basis with a book value of €51.7 million at 31 March 2019 which are more liquid to sell or could be injected into bank security pools if necessary.

Developments in the year

- Completed one new long-term loan facility totalling €56.0 million at an attractive low interest rate.
- All bank covenants were met in full during the year with the Group increasing its interest cover to 10.0 times.
- 90.2% of the total borrowings of €386.1 million have been fixed with a fixed interest rate or swap, 9.6% or €37.2 million is hedged with an interest rate cap and the remaining 0.2% is subject to an obligation to fix by 30 June 2019.
- The weighted average cost of debt remained at 2.0%.
- Weighted average debt expiry of 4.3 years is slightly down from 5.2 years at 31 March 2018 but remains strong.
- The Group's gross LTV ratio of 34.1% remains well below the Group's 40% limit and has improved from the 40.8% reported at 31 March 2018. The gross yield of the asset valuations upon which this ratio is based remains high at 7.8% compared to 8.1% at 31 March 2018.

Risk key

No change | Increased risk | Decreased risk

2 Valuation

Principal risks

- Property assets are inherently difficult to value as there is no standard pricing mechanism and there are many factors to consider. As a result, valuations are subject to substantial uncertainty.
- Asset values decline as a result of lower demand for the different asset classes, macroeconomic and other external factors, such as political change, and the availability and cost of debt.

Potential impact

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

Mitigation

- Valuations are conducted half yearly by an expert, independent, reputable major corporation in the property sector.
- Valuations are audited, involving the use of valuation experts and are formally presented to and reviewed by the Board and the Company's management team.
- The German property market and transactions are continually monitored by the Group and independent research has been developed to analyse transactions within the Group's asset class in Germany.
- The Group operates a value-add business model which involves significant investment into its assets with the intention of enhancing income and property value even in buildings with vacant or sub-optimal space.
- All acquisition, investment and disposal decisions are made strategically, incorporating market analysis and conditions.

Developments in the year

- Strong domestic and foreign investor appetite for industrial and office business park assets in Germany resulted in high transaction volumes including a number of large portfolio deals.
- Average gross yield of the portfolio of 7.8% remains high compared to recent market transactions for similar assets.
- The existing portfolio book valuation increase of €128.2 million or 13.3% for the year was predominantly as a result of the Group's investment and asset management initiatives.

3 Market

Principal risks

- The Group's property portfolio consists only of assets in the commercial real estate sector of Germany.
- Dependency on the German market and economy.
- Concentration of value in key locations.
- Reliance on the German industrial sector and SME market.
- Whilst the Group has a diversified offering it is susceptible to changes in competition, demand and sentiment for its assets in the future.

Potential impact

- The Group's total returns may be impacted by a general downturn in the German economy.
- Profits and cash flows may reduce from lower demand for the Group's space offerings from things such as contraction of the German SME market, manufacturing operations moving out of Germany and significant reductions in demand for office space in secondary and tertiary locations around Germany's major cities.
- The value of the Group's property assets may decline from the lower demand for space highlighted above as well as changes in the sentiment for industrial and warehouse assets and secondary office assets in Germany.

Mitigation

- The Group offers a wide range of products to a broad range of tenants, from major blue-chip corporations to private individuals. Many of the Company's flexible products were designed for and proved desirable during the last downturn.
- The Group's pricing policy is to be below the upper quartile of the market so that during downturns it becomes the supplier of choice because of its economical pricing.
- 44% of the Group's annualised rent roll comes from its top 50 tenants, which are generally highly invested and embedded on the sites that they occupy. In the last market downturn there was relatively low movement within this group.
- Most of the Group's assets are concentrated around the key economic areas of Germany which are expected to be more resilient in a downturn given their location which is underpinned by strong supply and demand fundamentals.

Developments in the year

- The German economy, the largest in Europe, continued to grow despite a drop off in some economic indicators towards the end of the calendar year. Monetary policy continued to support business activity and consumer spending which provides stimulus for the real estate sector. The OECD forecasts continued GDP growth for the German economy in 2019.
- The Group is not materially dependent on any single economic sector with the largest tenant representing 2.5% of total annualised rent roll and the top ten tenants representing 15.7% of total annualised rent roll.
- The SME market, which the Group considers to be its core tenant base, has remained strong during the period under review with occupier demand at record levels.
- The Group continues to concentrate its investment activity in markets where sound economics, prior experience, in-depth knowledge of local demand drivers and operational synergies can be derived.

4 Acquisitive growth

Principal risks

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

Potential impact

- The Group is unable to reinvest equity raise and disposal proceeds quickly and holds significant cash reserves on its balance sheet awaiting this reinvestment which may be dilutive to short-term earnings and cash flows.
- The Group is unable to replenish the value-add opportunities as existing value-add assets are transformed into mature assets and hence the future growth and total shareholder accounting returns reduce from the current levels.

Mitigation

- The Group's operating platform includes an acquisition team which is focused specifically on sourcing potential acquisition opportunities, analysing their suitability for purchase and presenting those assets to the Board for further review and consideration.
- The Group's acquisition team has several years of experience within the markets in which the Group operates and over this time has grown its market networks and understanding significantly. This experience and network provide the Group with a very deep access to potential investment opportunities and hence is able to source acquisitions from many different sources including agents, brokers, banks, equity and debt funds as well as directly from owners.
- The Group has an excellent track record of completing acquisition transactions over the last 13 years in Germany and is seen in the market as a very reliable and desirable purchaser.

Developments in the year

- During the year under review the Group received and reviewed over 800 investment opportunities which was another record number achieved in a financial year and consisted of both on and off-market opportunities.
- The Company raised €39 million of new equity in March 2018 and sold €25.6 million of non-core assets in the period which, with a new €56 million banking facility, provided the Company with significant acquisition firepower. A total of four assets were acquired in the reporting period with these proceeds totalling €65.1 million and two assets are notarised for completion post period end totalling €15.2 million. Additionally, a €35.0 million asset is in exclusivity.
- The Company announced an agreement to sell 65% of five subsidiary entities to AXA IM – Real Assets in the period. This will provide the Group with around €70.0 million of new equity and acquisition firepower, with another new banking deal, of around €120.0 million.

5 Organic growth

Principal risks

- Failure to identify and create capex investment programmes.
- Failure to complete investments into vacant space due to not obtaining permissions or finding appropriate suppliers to complete the works.
- Failure to realise the targeted returns on investment from the capex investment programmes.
- Unable to let up existing vacancy, vacated space or newly created space from the capex investment programmes.
- Failure to re-fuel the capex programme through value-add acquisitions and asset recycling.

Potential impact

- Income and valuation improvements do not meet expectations.
- The Group's detailed site business plans and expected returns are not achieved.
- The Group's high total shareholder returns it has been able to achieve over the last years reduce.

Mitigation

- Sirius has twelve years of experience in reconfiguring space and obtaining all necessary permissions as well as engaging appropriate contractors at the right price. This significantly mitigates the risk of not being able to deliver projects.
- This experience also provides substantial data on developing its vacancy and the take-up of its and its competitors' products in the markets that it operates, so assessments and projections are based on detailed information and knowledge.
- Extensive analysis is performed to assess demand and costs before an investment decision is made to ensure each project meets local demands and returns are realistic.
- The Group is continuing to invest in its internal operating platform, which ensures the delivery of all aspects of projects including development, marketing, lettings, renewals, service charge recovery and collections.
- Fortnightly conference calls are held with all relevant people discussing progress and expectations on all projects within the capex investment programme.

Developments in the year

- As at 31 March 2019 the original capex investment programme that commenced in 2015 is substantially complete with a total of 195,415sqm of space completely refurbished and the remaining 9,493sqm either in the process of being refurbished or awaiting permissions to proceed. A total of €23.7 million has been invested into the completed space and, at 83% occupancy, this space is generating €12.6 million of annualised rent roll representing an income return on investment of 53.2%.
- The Company commenced a new capex investment programme on acquisitions that completed from April 2016. There are now 21 assets within this programme with a total of 122,168sqm of sub-optimal space expected to require €31.0 million of investment to generate €9.4 million of annualised rent roll. As at 31 March 2019 a total of 53,148sqm of this space had been fully refurbished for an investment of €9.7 million and is currently generating incremental annualised rent roll of €2.6 million on 54% occupancy.
- For more details on our organic growth programme, see the case studies within this report.

6 Customer

Principal risks

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

Potential impact

- Reduction in profits, cash flows and property valuations if a number of major tenants vacate or become insolvent in a short time period.
- Potential bank covenant breaches should net operating income or property values reduce significantly from vacating or defaulting tenants.
- Tenant defaults result in loss of income and an increase in void costs and bad debts.
- Profit growth targets/expectations may not be met from inability to let up vacant space.
- Downward pressure on earnings and NAV.

Mitigation

- The Group has a large and active internal marketing and lettings team working within the German market and is not reliant on third parties with potentially competing clients to sign new and renew existing tenants. On average 80% of the Group's 14,338 enquiries received in the year were generated from the internet and the dedicated call centre and on-site teams convert on average 14% of these leads into new lettings. The ability to self-generate this much interest in letting its space gives the Company much more diversity in space configuration as well as mitigating much of the cyclical risk in tenant demand in the downturn.
- Each major site has full-time on-site management who are employees of the Group and focused on tenant needs and ensuring that their experience on a Sirius business park is as good as possible. This significantly mitigates the risk of tenants leaving.
- Additionally, dedicated relationship managers who continually engage with major tenants also mitigate the risk of move-outs. The close relationships that have been developed with tenants help us to understand their businesses and meet their changing space requirements.
- Due to the industrial nature of most of the Group's major tenants, they are generally highly invested on site and have been there for many years. This significantly reduces the chances of these tenants vacating even during the difficult times.
- All prospective tenants go through a robust credit check to provide comfort over their suitability and financial state and, where significant risks are established, tenants are either not taken on or rent deposits are increased accordingly.
- All lease agreements require tenants to provide deposits and/or bank guarantees.
- Service charge costs are subject to prepayments which are adjusted each year to reflect future expectations of actual costs.

Developments in the year

- Around 66.0% of rental income that was up for renewal in the year was renewed. This was distorted by three large expected move-outs on assets recently acquired where it was known that the major tenant was leaving at the time of acquisition.
- The Group generated 14,338 letting enquiries, of which 14.0% were converted into new deals, which resulted in sales of more than 170,000sqm of space with contracted annualised rent roll of €14.9 million. 80.0% of enquiries came from the Company's internet presence, its own website and other internet portals.
- There were no unexpected major move-outs in the year.
- Bad debt write-offs remained less than 1.0% of total revenues.
- Like-for-like occupancy, which adjusts for the impact of acquisitions and disposals, increased to 85.8% in the period.
- As at 31 March 2019, 43.6% of rental income was contracted to the top 50 tenants.
- As at 31 March 2019, €9.2 million was held in escrow accounts for tenant deposits.

7 Regulatory and tax

Principal risks

- Change of tax laws or practices as a result of base erosion and profit shifting initiatives (“BEPS”).
- Creation of permanent establishment for the property SPVs in Germany.
- Change of tax rules relating to controlled foreign companies.
- Forfeiture of tax losses due to change of ownership.
- Change of tax rates or accounting practices applicable to the Company.
- The non-compliance with laws, regulations and accepted practices.

Potential impact

- Substantially more corporate income tax payable on the Group’s operating profits in Germany, the UK and the Netherlands.
- The levying of German trade tax on the profits of property SPVs.
- Adverse effect on the Group’s profitability, cash flows and net asset values.
- Financial penalties and reputational damage.
- Forfeiture of tax losses resulting in more property SPVs paying corporate income tax.

Mitigation

- The applicable tax laws and tax treatment of all Group entities are continually monitored and assessed to ensure that taxes are appropriately and accurately calculated and paid. Close collaboration with advisers and relevant tax jurisdiction authorities ensures we are aware of emerging issues and keep up to date with ongoing developments.
- Other regulatory matters are considered by the Board and addressed within the Company risk register, which gets updated at least annually.
- The Group’s share register is reviewed in detail on a regular basis throughout the year to ensure that no shareholder group exceeds any thresholds where the Group will have any adverse tax implications.

Developments in the year

- No changes to accounting standards, tax law or accepted practice have been identified as material to the Group’s performance and results in the period.
- The Group continues to have tax losses that are potentially available for offset against future profits of its subsidiaries. As at 31 March 2019 tax losses amounted to €333.1 million.
- The Company continued to engage external specialist tax advisers on all matters relating to structuring, investment activity and financing as well as reviewing the in-place structures and operations to ensure that the Company is correctly assessing its tax liabilities.

8 People

Principal risks

- As the Company is internally managed it is reliant on the performance and retention of key personnel.
- The departure of key individuals without adequate replacement may have a material adverse effect on the Company’s business prospects and results of operations.
- Likewise, the inability to recruit suitable staff to support expansion or replace leaving employees may have an impact on the implementation of the Group’s growth plans.

Potential impact

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

Mitigation

- The Company maintains an organisation structure with clear responsibilities and reporting lines. Formal appraisals are performed annually for performance, goal setting and development purposes.
- The remuneration structure for staff is designed to be competitive and assist in attracting and retaining high-calibre staff that are required to deliver the strategic objectives of the Company.
- The Group has introduced share-based incentives in order to give employees a more long-term focus and commitment to the Company.
- Incentives align individual and departmental targets to Company strategy and ensure that Executive Directors, the Senior Management Team and staff operate in the best interests of shareholders and are incentivised to remain in office.
- More than 100 Company employees now have shareholdings in the company and the Executive Directors’ and Senior Management Team’s shareholdings in the Company are a very significant part of their personal wealth.

Developments in the year

- Danny Kitchen was appointed Chairman in September 2018 whilst Wessel Hamman left the Board in December 2018.
- A new long-term incentive plan for the Executive Directors and Senior Management Team was approved in December 2018. For further details of this plan, please go to the Director’s remuneration report. A new plan for the top 50 employees is being implemented.
- The Executive Directors and Senior Management Team have an average term of service of nine years at the Company.
- For details relating to the remuneration of Directors, including the shareholdings of the Executive, please go to the Directors’ remuneration report.

9 Systems and data

Principal risks

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

Potential impact

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

Mitigation

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

Developments in the year

- External assessment of IT related risks completed in the period.
- The Group's disaster recovery plan and cyber security were fully reviewed in the period and the plan and security measures were significantly enhanced.
- BDO was engaged to conduct an Internal Audit of the major financial procedures and controls in the period.
- Security upgrades carried out in accordance with IT strategy.
- Appointment of a full-time data protection officer to plan and control all data protection obligations as prescribed by relevant laws and regulations.

Viability statement

In accordance with provision C.2.2 of the 2016 revision of the UK Corporate Governance Code (the "Code") and the South African King IV Code, the Directors have assessed the prospects of the Group over a period longer than the twelve months required by the "going concern" provision. The Board has conducted this review taking into account the Group's long-term strategy, principal risks, current position and future plans over a three year period.

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

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

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

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

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

The Directors consider the principal risks impacting the Group's viability to relate to sustainability of rental income, market cyclicality and the Group's ability to deliver its capex investment programmes. The financial model considers the potential impact of these risks on the Group's ability to meet its liabilities as they fall due. In addition, the financial model is stress tested to validate its resistance to changes relating to property valuations and associated yields, rental income rates, occupancy levels, overheads, committed capital expenditures, working capital requirements, and the ability to finance forecasted transactions and refinance maturing debt. The Group assesses compliance with financial covenants to ensure the conditions which would result in a breach of covenant can be anticipated.

Whilst the scenario detailed above results in a significant contraction to the business based on the results of their review, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period of its assessment.

Introduction to the Board

The Company has an experienced Board of two Executive Directors and four Non-executive Directors.

Danny Kitchen
Non-executive Chairman
(66)

N R

Appointed to the Board

Danny Kitchen joined the Sirius Real Estate Board in 2018.

Experience

Danny Kitchen brings more than 25 years of property and finance experience in both the listed and private markets. After 14 years in corporate finance and M&A with the Investment Bank of Ireland, he was appointed in 1994 as chief finance officer of Green Property PLC, an Irish listed property company. In 2003 he left to join Heron International as group finance director and deputy chief executive. He is currently non-executive chairman of Workspace Group PLC, Hibernia REIT plc and Applegreen PLC. He is also a non-executive director and chairman of the audit committee of LXB Retail Properties PLC, although this is currently being wound down. Danny was appointed chairman of Irish Nationwide Building Society between 2008 and 2011 and is a director of the Irish Takeover Panel.

Andrew Coombs
Chief Executive Officer
(54)

S

Appointed to the Board

Andrew Coombs joined the Sirius Real Estate Board in 2014.

Experience

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

Alistair Marks
Chief Financial Officer
(50)

Appointed to the Board

Alistair Marks joined the Sirius Real Estate Board in 2014.

Experience

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

Committee membership

A Audit Committee
R Remuneration Committee
N Nomination Committee
S Social & Ethics Committee
Chairman of Committee

Justin Atkinson
Independent Non-executive Director
(58)

A N R S

Appointed to the Board

Justin Atkinson joined the Sirius Real Estate Board in 2017.

Experience

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

Jill May
Independent Non-executive Director
(57)

A N R S

Appointed to the Board

Jill May joined the Sirius Real Estate Board in 2017.

Experience

Jill May has 25 years' City experience in investment banking, 13 years in M&A at S.G. Warburg & Co. Ltd. and twelve as a managing director focused on strategy and organisational change at UBS. She has a broad knowledge of investment banking, asset management and private banking across EMEA. She has also been a non-executive director of the UBS UK Pension Scheme. She is an external member of the Prudential Regulation Committee of the Bank of England and a non-executive director of the Institute of Chartered Accountants ("ICAEW"), as well as three listed investment companies, Standard Life Investments Property Income Trust Limited, Ruffer Investment Company and JP Morgan Claverhouse.

James Peggie
Senior Independent Director
(48)

A N R S

Appointed to the Board

James Peggie joined the Sirius Real Estate Board in 2012.

Experience

James Peggie is a director of the Principle Capital Group, a private investment business he co-founded in 2004. He is a qualified solicitor and previously was head of legal and corporate affairs at the Active Value group. Before that he worked in the corporate finance division of an international law firm. James graduated from the University of Oxford in 1992 and in 1994 from The College of Law. James has a wealth of experience as a director of various publicly listed and private companies, including Liberty plc from 2006 to 2010.

Compliance with the UK Corporate Governance Code 2016 (the "Code")

Sirius is a property company listed on the premium segment of the Main Market of the London Stock Exchange ("LSE") and the Main Board of the Johannesburg Stock Exchange ("JSE"). It is a leading operator of branded business parks providing conventional space and flexible workspace in Germany. The Company was incorporated in Guernsey, with registered number 46442, in 2007. The Board has resolved that the disclosures to be made in the Annual Report regarding the operation of the Board and its sub-committees should comply with the requirements of the Companies (Guernsey) Law, 2008, the Code and best practice generally.

Further to the dual primary listing of the Company in South Africa on 16 November 2017, the JSE accepted that Sirius will primarily comply with the Code as issued by the Financial Reporting Council in April 2016 (www.frc.org.uk) and will comply with all those provisions of the King IV Report on Governance™ for South Africa 2016 ("King IV™") that are not included in the Code.

Statement of compliance

The Board is committed to high standards of corporate governance appropriate for a company of its size and has adopted processes and policies to seek to ensure a sound framework for the control and management of the business. The Board complies with the requirements of the Code published in June 2016 by the Financial Reporting Council ("UK Corporate Governance Code") as it relates to "smaller companies" (companies which are outside the FTSE 350 throughout the year immediately prior to the reporting year). The Company is not subject to the Code of Corporate Governance in Guernsey. The Company will continue to monitor its compliance with King IV™ and the Code and will act in accordance with the Listing Rules of the LSE and the Listings Requirements of the JSE.

The Company has adopted policies and procedures to comply with the Market Abuse Regulation and has a policy in place that all announcements need to be approved by at least one Director and the Company Secretary. The Company has adopted a share dealing code and will seek to ensure compliance by the Board and senior management and other third party service providers with the terms of the share dealing code.

The terms of reference of the Board and the sub-committees are available on request from the Company Secretary and are published on the Company's website at www.sirius-real-estate.com.

Engagement with shareholders

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

In addition, the Chairman and Senior Independent Director are available to shareholders to discuss governance, strategy or any concerns they may have. The Senior Independent Director, James Peggie, as Chairman of the Remuneration Committee, undertook a full engagement process with shareholders in the last six months of 2018 ahead of the general meeting ("GM") held on 5 December 2018, where shareholders approved the Company's updated remuneration policy and long-term incentive plan.

The Chief Executive Officer and the Chief Financial Officer are responsible for the Company's interaction with existing shareholders, potential new shareholders and analysts. To ensure its financial and operational performance and strategic objectives are properly communicated, the Company operates a dedicated investor relations programme. This includes formal events along with other meetings outside the financial reporting calendar.

Principal risks and uncertainties

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

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

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

Leadership structure

The Board is collectively responsible for the long-term success of the Company.

The Board

Led by the Chairman, the Board is collectively responsible for the long-term success of the Company and operates under a formal schedule of matters reserved for the Board. This ensures that the Company's strategy and objectives, risks, Group operations, internal controls, policies and debt providers are all reviewed throughout the year. To assist in the effectiveness of its operations, certain matters are delegated to Committees whose roles and duties are outlined in terms of reference set by the Board. The Committee Chairs provide a summary of the Committee activities at each Board meeting, advising of any issues or recommendations. Day-to-day management of the Company is overseen by the Executive Directors, who carry out the strategy established by the Board, within the confines of the policies and delegated authorities set by the Board.

Six scheduled Board meetings were held, aligned to the financial calendar, and there were 14 ad hoc meetings held to facilitate dealing with the operational needs of the business, the majority of which were held via telephone.

Committee of the Board

Approves ad hoc matters between Board meetings, subject to authority levels, and comprises any two Directors, one of whom should be independent.

Audit Committee (full report from page 50)

Ensures that the Group's financial reporting and risk management are properly monitored, controlled and reported.

Nomination Committee (full report from page 55)

Considers the composition, skills and succession planning of the Board.

Remuneration Committee (full report from page 57)

Determines the remuneration of the Executive Directors within the approved remuneration policy and monitors employee pay.

Social & Ethics Committee (full report from page 74)

Oversees the Company's compliance with its obligations under the JSE Listings Requirements and to facilitates appropriate attention to the way of how the Company does business, specifically its value system surrounding ethical standards and social responsibility.

BOARD AND BOARD COMMITTEE MEETINGS ATTENDANCE

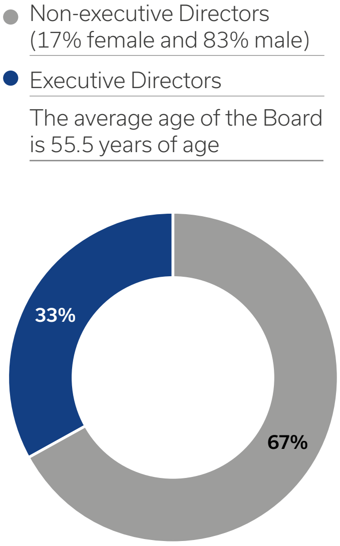
	Board	Committee of the Board	Audit Committee	Nomination Committee	Remuneration Committee	Social & Ethics Committee
Total meetings	6	14	3	2	3	2
Danny Kitchen[(1)] (Non-executive Chairman)	■ Chairman of Committee	■ Committee member		n/a ■ Chairman of Committee	1/1 ■ Committee member	
James Peggie (Senior Independent Director)	■ Committee member	■ Committee member	3/3 ■ Committee member	2/2 ■ Committee member	3/3 ■ Chairman of Committee	2/2 ■ Committee member
Justin Atkinson (Non-executive Director)	■ Committee member	■ Committee member	3/3 ■ Chairman of Committee	2/2 ■ Committee member	3/3 ■ Committee member	2/2 ■ Committee member
Jill May (Non-executive Director)	■ Committee member	■ Committee member	3/3 ■ Committee member	2/2 ■ Committee member	3/3 ■ Committee member	2/2 ■ Committee member
Wessel Hamman[(2)] (Non-executive Director)	■ Committee member	■ Committee member	1/1 ■ Committee member	2/2 ■ Committee member	1/2 ■ Committee member	
Andrew Coombs (Chief Executive Officer)	■ Committee member	■ Committee member				2/2 ■ Chairman of Committee
Alistair Marks (Chief Financial Officer)	■ Committee member	■ Committee member				

■ Chairman of Committee ■ Committee member

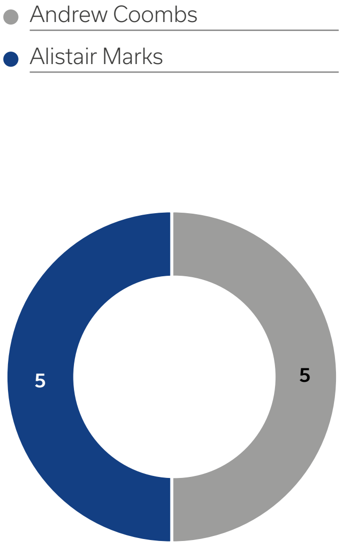
(1) Joined the Board on 24 September 2018 as Chairman. Appointed Chairman of the Nomination Committee and member of the Remuneration Committee on 2 November 2018 and has attended all Board and Committee Meetings held since his appointment.

(2) Stepped down from the Board on 31 December 2018 and all committees on 2 November 2018.

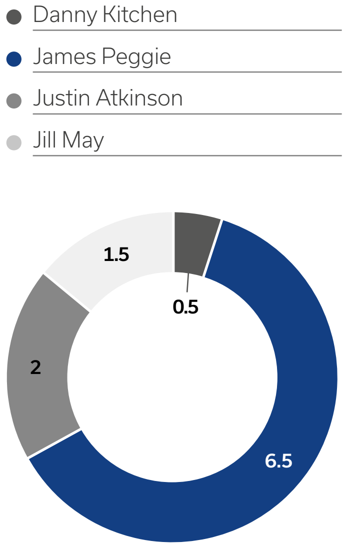
Board composition



Board tenure – Executive (years)



Board tenure – Non-executive (years)



Board operations

Board meeting agendas

Property reports:

- Report from the CEO
- Investment acquisitions and disposals
- Capex projects
- Operational and strategic updates

Management reports

- Report from the CFO
- Financial results
- Banking facilities
- Budget, cash flow and management accounts
- Internal controls and risk management

Shareholder and investor relations

- Shareholder information and trading statistics
- Shareholder communications

Administrative matters

- Committee reports
- Corporate governance updates
- Corporate governance and administrative matters

Directors

The Board of Directors is collectively responsible for the long-term success of the Company. The Board believes it has an appropriate balance of skills and experience necessary to undertake its duties.

Danny Kitchen was appointed as an Independent Non-executive Director, taking up the role as Chairman of the Board on 24 September 2018. The offices of the Chairman and the Chief Executive Officer are held separately.

The Nomination Committee continues to review the composition of the Board; in accordance with the Company's Diversity Policy, the appointment of any potential candidates to the Board would be considered on merit against objective criteria and with due regard for the potential benefits of gender and racial diversity at Board level. The Board will continue to discuss and annually agree all measurable targets for achieving continued diversity on the Board.

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

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

The Chairman will have no executive responsibilities but will lead and set the agenda for the Board. The Chairman will also act as an interface between the Executive Directors and Non-executive Directors.

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

Board performance and evaluation

The Board formally reviews its performance annually through an internal process. Internal evaluation of the individual Directors and their roles on the Board and Committees has taken the form of performance evaluation questionnaires and discussions to determine effectiveness and performance, as well as an assessment of the Non-executive Directors' continued independence where appropriate.

Company Secretary

The Group Company Secretary, Aoife Bennett, was appointed by the Board on 24 July 2017. She is responsible for guiding the Chairman and the Directors, both individually and collectively, on their duties and responsibilities. She also advises on corporate governance, compliance with legislation, the LSE Listing Rules and the JSE Listings Requirements.

The Board, having assessed her abilities as part of her recruitment and based upon her qualifications, her experience and the level of competence she has demonstrated since working with the Group (as required by Section 3.84(h) of the JSE Listings Requirements), agreed that Mrs Bennett is sufficiently qualified, competent and experienced to act as Group Company Secretary.

The Company Secretary is not a Director of the Company. She does, however, hold the office of director of Sirius Finance (Guernsey) Limited, a Group company.

Internal control and financial reporting

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

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

- the Board clearly defines the duties and responsibilities of the Company's agents and advisers and appointments are made by the Board after due and careful consideration. The Board monitors the ongoing performance of such agents and advisers and will continue to do so;
- the Board monitors the actions of the Executive Directors and the Senior Management Team (to whom day-to-day operations of the Group have been delegated) at regular Board meetings and is given frequent updates on developments arising from the operations and strategic direction; and
- the Board has reviewed the need for an internal audit function and has decided that the systems and procedures employed by the Executive Directors, the Senior Management Team and the Company Secretary, including its own internal controls and procedures, provide sufficient assurance that an appropriate level of risk management and internal control, which safeguards shareholders' investment and the Company's assets, is maintained. The Company has engaged with BDO LLP (which is not the external audit firm) to undertake an internal review of the Company's controls and procedures function, the findings of which have been reported to the Audit Committee.

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

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

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

Protecting our shareholders' interests

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

Dear shareholder

I am pleased to present the Audit Committee report as Chairman of the Audit Committee. The Audit Committee's role is to protect the interests of shareholders by ensuring a sound control environment within the Group, the integrity of published financial information and an effective audit process.

This report describes the main focus areas of the Audit Committee and how it discharged its responsibilities during the financial year ended 31 March 2019. It sets out how the Audit Committee has assessed internal control, risk management, the Company's financial statements and the effectiveness of the external audit in the year under review.

Committee member as at 31 March 2019	Meeting attendance
Justin Atkinson (Chairman)	3/3
Wessel Hamman(1)(R)	1/1
James Peggie	3/3
Jill May	3/3

(1) Attended one of one meetings held before stepping down on 2 November 2018.

(R) Denotes retired/resigned.

Composition of the Audit Committee

The Audit Committee comprises three members. Justin Atkinson, who was appointed Chairman on 22 September 2017, is senior independent director of Kier Group plc, an independent non-executive director and chair of the audit committee of James Fisher plc, chairman and chair of the nomination committee of Forterra plc and a member of the audit committee of the National Trust. The other members of the Committee include Jill May and James Peggie. Wessel Hamman stepped down from the Audit Committee on 2 November 2018. I would like to thank Wessel Hamman for his contribution as an Audit Committee member. The Audit Committee is in compliance with the UK Corporate Governance Code, which recommends that an audit committee should comprise of at least three independent non-executive directors. In addition to this the UK Corporate Governance Code requires at least one member of the Audit Committee to have recent and relevant financial experience. The Board considers that Justin Atkinson, who is a qualified Chartered Accountant, possesses the necessary experience to satisfy this requirement.

Roles and responsibilities

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

The ultimate responsibility for reviewing and approving the Annual Report and Interim Report remains with the Board; however, the Audit Committee helps to ensure the accuracy and integrity of these in particular with regards to any significant judgements contained within them and to monitor any formal announcements relating to the Company's financial performance. The Audit Committee reviews and approves the external auditors' annual audit plan to ensure it is consistent with the agreed scope of engagement and it takes responsibility for all aspects of the external auditors' appointment, performance and independence.

The Audit Committee will give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code along with the JSE Listings Requirements and the LSE Listing Rules. Accordingly, the Audit Committee will advise the Board on whether, taken as a whole, the Company's financial statements presents a fair, balanced and understandable assessment as well as provides shareholders with the necessary information to assess the Group's performance, business model and strategy.

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

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

The Audit Committee satisfied itself in terms of paragraph 3.84 (g)(i) of the JSE Listings Requirement that the Group Chief Financial Officer has appropriate expertise and experience and resources and is satisfied that the internal financial controls of the Company are working effectively.

Risk management and internal controls

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

» review the effectiveness of the Company's financial reporting and internal risk and control policies and procedures for the identification, assessment and reporting of risks;

» monitor the integrity of the Company's financial statements and all formal announcements relating to its financial performance and ensure they are fair, balanced and understandable;

» review significant financial reporting issues and judgements;

» make recommendations relating to the appointment, reappointment and removal of external auditors;

» monitor the independence and effectiveness of the auditors; and

» review the Company's procedures for preventing and detecting fraud and bribery.

Developments in the year

The primary focus of the Audit Committee in the year under review was as follows:

» reviewing the Company's financial results and supporting policies and procedures;

» reviewing compliance relating to fraud and bribery, the provisions of the UK Corporate Governance Code and the additional requirements of the Main Markets of the LSE and JSE upon which the Company's shares are listed;

» reviewing and understanding the forecasts used to create the Company's viability statement;

» completing an audit tender process, details of which are set out later in this report;

» agreeing the audit plan, audit scope and audit fee;

» implementing the internal controls and tax reviews set out in the internal audit section of this report below; and

» reviewing the terms of reference of the Audit Committee.

Activities of the Audit Committee

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

- On 30 May 2018, the Audit Committee met to review the Annual Report for the year ended 31 March 2018, the adequacy of disclosures and the appropriateness of preparing the Annual Report on a going concern basis. It was concluded that the Company's financial position was such that it continued to be appropriate for accounts to be prepared on a going concern basis. The Audit Committee duly approved the Annual Report for the year ended 31 March 2018 for consideration by the Board.
- On 15 November 2018, the Audit Committee met to review the half year results of the Company for the period ending 30 September 2018 and to receive Ernst & Young LLP's Audit Planning Report. The Interim Report was reviewed by the Audit Committee and it was concluded that the disclosures were appropriate and, having reviewed the Group's trading and future cash flow forecasts, it was agreed that the accounts be prepared on a going concern basis. Consequently, the Interim Report was approved for consideration by the Board.
- On 29 March 2019, the Audit Committee met to receive an update on Ernst & Young LLP's Audit Planning Report work completed in advance of year end and to receive an update on the review of the internal audit process from BDO LLP.
- On 24 May 2019, the Audit Committee met to review the Annual Report for the year ended 31 March 2019, the adequacy of disclosures and the appropriateness of preparing the Annual Report on a going concern basis. It was concluded that the Company's financial position was such that it continued to be appropriate for accounts to be prepared on a going concern basis. The Audit Committee duly approved the Annual Report for the year ended 31 March 2019 for consideration by the Board. Cushman & Wakefield's valuation report was presented to the Committee, outlining the key methodology applied in reaching the portfolio valuations, as well as detailing the work undertaken with Ernst & Young LLP and the Company in reaching those conclusions.

In the year to 31 March 2019 the Company engaged PwC LLP ("PwC") to perform a tax review of the Group. Within its review PwC considered the Sirius Real Estate Limited Group structure and performed an assessment of relevant jurisdictional compliance relating to corporate residency, VAT, intercompany services and transfer pricing. The findings of the review were presented to the Audit Committee in May 2019 with no material concerns noted.

The Audit Committee may also seek professional advice on any such matters and secure the attendance at its meetings of third parties with relevant experience and expertise if it considers this necessary.

Internal audit

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

The Board, as in previous years, has determined that this important area of potential control will continue to be reviewed on an annual basis as the Company continues to grow. Although there has not been a formal internal audit function in place in the year to 31 March 2019, BDO LLP was appointed to do a review of internal controls and presented its findings at the May Audit Committee meeting. The Audit Committee will oversee the implementation of BDO LLP's recommendations in conjunction with systems and operational developments in the operating business and throughout the wider Group.

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

Whistleblowing

The Audit Committee has considered arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, which are incorporated in its terms of reference. It has concluded that adequate arrangements, including a Whistleblowing Policy which is made available to all Group employees, are in place for the proportionate and independent investigation of such matters and, where necessary, for appropriate follow-up action to be taken within their organisation. The Whistleblowing Policy is available in both English and German and is available to all employees and details the confidential reporting mechanism in place to allow them to raise any such concerns that may arise.

Going concern and viability statement testing

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

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

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

Independence and oversight of external audit

On 21 September 2018, the Company appointed Ernst & Young LLP as its auditors following shareholder approval at the Annual General Meeting. The Company confirmed and announced to the market on 18 October 2018 that Ernst & Young LLP had successfully received full accreditation from the JSE. This is the first audit carried out by Ernst & Young LLP. The Audit Committee's review of the appropriateness of the external auditors included assessing their terms of engagement, remuneration, independence, qualifications and compliance. The Audit Committee has satisfied itself that Ernst & Young LLP remain independent.

The Audit Committee meets the external auditors on average three times a year to discuss their remit and any issues arising from their audit work. The Audit Committee Chair meets with the external audit firm partner outside of Audit Committee meetings at least twice a year. As this is the first full year audit carried out by Ernst & Young LLP, the Audit Committee will carry out the first evaluation of Ernst & Young LLP once the reporting period has been completed.

The Audit Committee has satisfied itself that the external auditors are suitable for reappointment by considering, inter alia, the information stated in paragraph 22.15(h) of the JSE Listings Requirements.

The Audit Committee has ensured that appropriate financial reporting procedures were established and that those procedures are operating in line with the paragraph 3.84(g)(ii) of the JSE Listings Requirements.

Non-audit services policy

The total non-audit fees paid to the external auditors, Ernst & Young LLP/KPMG LL London, during the year ended 31 March 2019 was €58,000 which was as a result of the half year review and reporting accountants work undertaken (31 March 2018: €34,000 paid to former auditors KPMG LLP London). The Audit Committee continues to monitor the extent of the non-audit related work undertaken by the external auditors. The Company has a formal non-audit services policy in place.

Significant matters considered in relation to the financial statements

Significant matters considered	Audit Committee response
Valuation of investment properties The carrying value of investment properties is material to the Group's balance sheet. The valuation, which is performed half yearly by Cushman & Wakefield LLP, is based upon assumptions including future rental income, anticipated maintenance costs and an appropriate discount and exit cap rate. There is a risk that the carrying value will differ from its net realisable value.	The fair value of the Group's investment properties is determined by an independent valuer on the basis of a discounted cash flow model using a range of 10–14 years. The Audit Committee considers the Company's management's assessment of the carrying value of investment property and the appropriateness of supporting business plans as well as the transactional evidence available on the market. The Audit Committee also considers offers that have been received by the Group on properties that have been marketed for sale as well as the levels at which assets have been disposed. Ernst & Young LLP report to the Audit Committee at the half year on their review and the year end in relation to the audit on their results and findings of their assessment of Cushman & Wakefield's valuation judgements. The Audit Committee concludes that, based on the degree of oversight and challenge applied to the valuation process, the valuations are conducted appropriately and objectively.

Significant matters considered in relation to the financial statements continued

Significant matters considered	Audit Committee response
Revenue recognition, including the timing of revenue recognition, the treatment of rents, service charge income and lease incentives Certain transactions require management to make judgements as to whether and to what extent it should recognise revenue and present it within the financial statements. Market expectations and profit-based targets may place pressure on management to distort revenue recognition, which in turn may result in an overstatement of revenues.	The Audit Committee considers the main areas of judgement applied by management in accounting for revenue including the treatment of rent, service charge income, income relating to managed properties and lease incentives. Ernst & Young LLP performed data analytics procedures over the whole population of leases in the Group's portfolio and over the whole population of journal entries posted to revenue during the year. Ernst & Young LLP also performed analytical review procedures and tested samples of transactions relating to rental income, service charge and other components of revenue. The Audit Committee concludes that, having consulted Ernst & Young LLP and considered the main areas of judgement applied by management, revenue is appropriately recognised and reported.
Assessment of uncertain tax positions In the ordinary course of business, management makes judgements and estimates in relation to the tax treatment of some transactions in advance of the ultimate tax determination being certain. Where the amount of tax payable or recoverable is uncertain management uses judgement in recording a corresponding payable or receivable. As a result of such estimations income may be overstated and expenses may be understated.	The Audit Committee considers the main areas of judgement applied by management taking into account its legal structure and multi-tax jurisdictions within which it operates. During the year a professional services firm was engaged by the Company to perform a broad tax review of the Group's structure and various tax positions. Ernst & Young LLP used tax specialists to understand and assess tax risks for the Group in each jurisdiction in which it operates. Ernst & Young LLP performed analytical review work, obtained correspondence with tax authorities and challenged management assessments. The Audit Committee concludes that, following discussions with the external audit team, a professional services firm review and consideration of management judgements and estimates, tax provisions have been recognised on an appropriate basis.

The above description of the significant matters should be read in conjunction with the Independent Auditor's Report on pages 82 to 87 and the significant accounting policies disclosed in the notes to the financial statements.

Justin Atkinson

Justin Atkinson
Chairman of the Audit Committee
31 May 2019

Ensuring adequate succession planning for the Board

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

Dear shareholder

On behalf of the Board, I am pleased to present the Nomination Committee report for the year ended 31 March 2019.

Committee member as at 31 March 2019	Meeting attendance
Danny Kitchen (Chairman)(2)	n/a
James Peggie(1)	2/2
Wessel Hamman(R)	2/2
Jill May	2/2
Justin Atkinson	2/2

(1) Chairman until 2 November 2018.

(2) Appointed to the Committee as Chairman on 2 November 2018. No meetings have been held since his appointment to the Nomination Committee.

(R) Denotes retired/resigned.

Composition of the Nomination Committee

The Nomination Committee comprises four members. Danny Kitchen was appointed as Chairman on 2 November 2018, taking over from James Peggie, who remains a member. The other members are Justin Atkinson and Jill May. Wessel Hamman stepped down from the Nomination Committee on 2 November 2018. The Nomination Committee complies with the UK Corporate Governance Code which recommends that the majority of the members of a nomination committee should be independent non-executive directors.

The purpose of the Nomination Committee is to consider and make recommendations to the Board concerning all new Board appointments and the retirement of Directors and to make recommendations to the Board relating to the policy for the ongoing training and development of Directors. The Committee uses external search consultants or open advertising for recruitment purposes as deemed most appropriate. When nominating candidates for non-executive directorships, the Committee takes account of the need for appropriate skills and experience, independence with due regard of the potential benefits of gender and race diversity at Board level.

Both the Board and the Nomination Committee remain cognisant of the recommendations under the JSE Listings Requirements and have not set voluntary targets for racial or gender diversity at Board level. The Nomination Committee does not believe that fixed targets will adequately serve the needs of its shareholders and prefers to continue with its open-door policy in terms of recruitment of Board Directors.

Nomination Committee summary

Role and responsibilities of the Nomination Committee

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

The Committee keeps under review and evaluates the composition of the Board and its Committees to maintain the most appropriate balance of diversity, skills, knowledge, experience and independence and to ensure their continued effectiveness. The Committee, in conjunction with the Board, considers its diversity, experience, composition and succession planning on an ongoing basis.

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

Details of attendance at the Nomination Committee meetings during the financial year ended 31 March 2019 are set out above in this report.

Activities of the Nomination Committee

To discharge its duties the members of the Nomination Committee met twice during the year under review. Following this meeting, one appointment was recommended to the Board for approval, namely the appointment of Danny Kitchen as an Independent Non-executive Director and Chairman of the Board, bringing additional skills and experience to the Board to support future growth and the strategic aims of the Company.

The Board employed the executive search firm Spencer Stuart in December 2017 to assist in the search for a new Chairman which resulted in the successful appointment of Danny Kitchen on 24 September 2018. Spencer Stuart is not a related party and does not provide any other services to the Company.

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

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

In addition, the Nomination Committee reviewed and agreed that due to the changed composition of the Board during the reporting period that the annual evaluation process would be deferred and carried out in the new financial year, in order to allow the new Board members sufficient time to evaluate properly their contribution to and the effectiveness of the Board and in their respective Committee roles.

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

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

Danny Kitchen
Chairman of the Nomination Committee
31 May 2019

Continuing the reformation of the remuneration practices

"This has been a very active year for the Committee as it prepares for a new remuneration policy and oversees the changes it has been required to make as a result of the moves onto the Main Markets of the London and Johannesburg Stock Exchanges."

Introduction

On behalf of the Board, I am pleased to present the Directors' remuneration report (the "Report") for the year ended 31 March 2019.

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

At the general meeting held on 5 December 2018, shareholders approved our new Long Term Incentive Plan ("LTIP") and a new Directors' Remuneration Policy (the "Remuneration Policy"), which took into account the adoption of the LTIP.

The report is presented in two main sections: the Remuneration Policy, including a forward-looking statement on how the Remuneration Policy will be applied in the year ending 31 March 2020; and the Annual report on remuneration, which provides details on the amounts earned in respect of the year ended 31 March 2019. To meet the requirements of the JSE Listings Requirements, both the Remuneration Policy and Annual report on remuneration will be subject to a non-binding advisory vote at the 2019 AGM.

Committee member as at 31 March 2019	Meeting attendance
James Peggie (Chairman)	3/3
Wessel Hamman(1)(R)	1/2
Jill May	3/3
Justin Atkinson	3/3
Danny Kitchen(2)	1/1

(1) Stepped down from the Committee on 2 November 2018.

(2) Appointed to the Committee on 2 November 2018.

(R) Denotes retired/resigned.

Remuneration report

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

- total remuneration (including base pay, bonus and incentive arrangements);
- method of remuneration;
- service contracts; and
- terms and conditions and any material changes to the standard terms of employment.

The activities, recommendations and approvals of the Committee are reported to the next routinely scheduled Board meeting.

Activities of the Committee

The Committee has had an extremely busy year. The primary focus was on formulating, negotiating, consulting on and finalising for approval by shareholders the new LTIP and the new Remuneration Policy. The new LTIP reflects our move to a more conventional remuneration structure, taking into account best practice for a company listed in both London and Johannesburg. We consulted with approximately 30 of our largest shareholders, and three of the major shareholder advisory services, in relation to the new LTIP and Remuneration Policy, and were pleased with the strong support we received from the majority of those with whom we consulted. We took into account feedback received in finalising our proposals, revising our original proposal to include an additional cap on the value of awards that may be granted and to include provision for a time-based reduction to vesting on change of control; further information is included in the Notice for the December 2018 General Meeting, a copy of which can be obtained via the Company's website, https://www.sirius-real-estate.com/investors/results-presentations-notices/. The LTIP and Remuneration Policy were both approved by shareholders in December 2018.

Following the introduction of the new UK Corporate Governance Code 2018, ("new UK Code") pension contributions for new Executive Directors will be aligned with those available to the workforce and will be set at the time of appointment. Over the course of the year ending 31 March 2020, the Committee will be working towards implementing and reporting against the other provisions of the new UK Code. However, the Company has already made some progress on the new UK Code provisions, by the updates made to the Remuneration Policy (as approved by shareholders at the 2018 general meeting), as regards:

» making three consecutive annual grants, rather than all of the awards being granted at the outset, thereby extending the vesting period for the whole LTIP from three years previously to five years;

» extending the holding period for the new LTIP to two years after vesting, previously one year;

» enhancing the minimum shareholder ownership guidelines to 300% of salary for our Executive Directors, increased threefold since the start of the 2015 LTIP;

» incorporating a post-cessation shareholding guideline of 200% of salary for at least twelve months (previously no requirement);

» applying an overall cap on the annual quantum of the award (none previously), such that the maximum award in respect of any financial year will not exceed shares with a value, at grant of the award, in excess of 300% of the CEO's salary at the grant date;

» incorporating a loan to value ("LTV") underpin within the new LTIP (none previously); and

» enhancing the malus and clawback provisions in line with best practice (none previously).

As well as implementing the new LTIP and Remuneration Policy, the Committee was this year closely involved in:

» confirming the annual bonus awards for the year ended 31 March 2019 and overseeing the deferral of bonuses in shares under the Deferred Bonus Plan;

» recommending and monitoring the level and structure of remuneration of senior management;

» producing the annual report on the Directors' remuneration;

» overseeing the reallocation of the 2015 LTIP awards surrendered by the Executive Directors, Andrew Coombs and Alistair Marks, and Group Sales Director, Rüdiger Swoboda, in favour of 79 members of staff and overseeing the pay-out of those shares;

» overseeing the pay-out of the 2017 Share Plan established for 35 managers in the Group; and

» devising a new longer-term plan for 27 managers in the Group, which was implemented in May 2019.

We are pleased to report that the Sirius Real Estate Employee Benefit Trust established last year has been functioning smoothly and we expect to see it used more extensively to satisfy share awards in the future.

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

Business performance for 2019

As described in the Strategic report the Company's performance has been very strong. For the year under review profit before tax increased to €144.7 million (2018: €89.6 million) driven by a combination of organic and acquisitive growth. Furthermore, the Group agreed to establish a major new venture with AXA IM – Real Assets which has taken a significant amount of management time and brings many benefits for the future growth of the Sirius business. The Board has declared a final dividend of 1.73c per share representing an 8.1% increase on the same period the previous year. The average cost of debt in the period remained stable at 2.0% (2018: 2.0%). Total debt at 31 March 2019 was €386.1 million (31 March 2018: €373.1 million) and the Group's gross loan to value ratio(1) reduced to 34.1% (31 March 2018: 38.6%), whilst the Group's net loan to value ratio remained at a similar level to the prior year at 32.5% (31 March 2018: 31.9%). Total shareholder accounting return, based on an adjusted NAV per share, was 19.3% in the period (31 March 2018: 17.0%) and market capitalisation increased by €57.6 million or 8.3% to €751.7 million(2) as at 31 March 2019.

(1) Including assets held for sale.

(2) Market capitalisation calculated using number of shares in issue, closing share price on the London Stock Exchange on 31 March 2019 and a conversion rate of GBP:EUR of 1.16.

2019 bonus

As a consequence of the Company's strong financial performance and good delivery around strategic and personal targets, both Executive Directors earned 95%, details of which are provided on page 65. Base salary at the start of the financial year is used to calculate the bonus awards. 35% of the bonus has been deferred into shares, 50% of which will be released to the Executive Directors after one year and 50% after two years, subject to their continued employment.

Pay increases for the Executive Directors and the wider workforce

We are pleased, however, that in recognition of the efforts of the wider workforce, the Executive Directors and certain members of the Senior Management Team will not receive pay rises for themselves and instead they have awarded above inflation pay increases for the 50 lowest paid workers in the Group and for those in middle management who have taken on increased workloads during the course of the year.

2015 LTIP

The 2015 LTIP vested in full on 2 July 2018, based on performance against total NAV return (adjusted NAV return plus dividends paid – "TNR") over the three years to 31 March 2018 and a separate assessment based on total shareholder Return (share price plus dividends paid – "TSR") performance assessed up to the 20th business day after the announcement of results for the year to 31 March 2018.

As discussed on page 68, for the maximum number of shares to vest, TNR of 15% or more over the performance period was required. The Company TNR over the performance period was 15.33%. Therefore, the TNR condition was met in full. In addition to this, a TSR multiplier applied to the vested element following application of the TNR performance condition such that the number of shares could be increased by a maximum factor of 1.25x depending on relative performance of the Company's share price compared to the movement in adjusted NAV per share. The TSR multiplier was calculated to be 1.57x and accordingly the maximum multiplier of 1.25x was applied. The peer group multiplier (which would have reduced the amount of shares had the Company's TSR underperformed the peer group) was not applied as the Company's TSR was 383% higher than the TSR of the peer group.

We announced on 28 June 2018 that Executive Directors, Andrew Coombs and Alistair Marks, along with Group Sales Director, Rüdiger Swoboda, had each voluntarily surrendered 4% of their awards for nil cost, to enable awards to be reallocated to 79 employees who did not participate in the 2015 LTIP. As a result of this, and also the 2017 Share Plan introduced for 35 managers in the Group, approximately half of the Company's employees received share awards. Following the surrender of the awards, a total of 8.4 million shares vested to each Executive Director.

The level of remuneration of the Non-executive Directors reflects the time commitment and responsibilities of their roles. The remuneration of the Non-executive Directors does not include any share options or other performance related elements and there are no plans to seek any shareholder waivers to deviate from this. The remuneration of the Board is set out in the Director's remuneration report on page 65.

Rewards for the financial year ending 31 March 2020

In summary

Element	Application of the Remuneration Policy
Salary	No increase in base salary for each Executive Director. The Executive Directors and certain members of the Senior Management Team have not received pay rises for themselves and instead they have awarded above inflation pay increases for the 50 lowest paid workers in the Group and for those in middle management who have taken on increased workloads during the course of the year.
Annual bonus	Up to a maximum of 100% of base salary for each Executive Director. 65% of the bonus earned is paid in cash, with the remaining 35% deferred into shares (50% of which will be released to the Executive Directors after one year and 50% after two years, subject to their continued employment).
LTIP award	As set out in the general meeting circular, the awards granted under the 2018 LTIP will consist of an ordinary award of 1.2 million shares and an outperformance award of 0.3 million shares. Vesting of the awards will be subject to performance measures and targets based on TNR and TSR over three financial years ending 31 March 2022, as discussed further on page 68.
Pension	15% of salary for each Executive Director. Pension contributions for new Executive Directors will be aligned to those applicable to other employees and will be set at the time of appointment.
Chairman and NED fees	No increases proposed for 2020.
Shareholding guidelines	300% of salary for each Executive Director.
Post-cessation shareholding guidelines	200% of salary for at least twelve months following the date of cessation for each Executive Director.

The Committee recommends to shareholders the resolutions to approve (on a non-binding advisory basis) both the Remuneration Policy and the Annual report on remuneration and hopes that shareholders will support both resolutions at the AGM on 29 July 2019.

Directors' Remuneration Policy report

Our new Remuneration Policy was adopted at the general meeting held on 5 December 2018 and the Remuneration Committee believes that the Remuneration Policy remains fit for purpose. The principal amendments in the new Remuneration Policy were to:

» include the 2018 LTIP;

» remove the ability to award a higher annual bonus on recruitment, which was included as a temporary measure until the 2018 LTIP was introduced and which has not been utilised; and

» extend the shareholding guidelines and introduce a post-cessation shareholding guideline as set out above in this report.

To further meet the requirements of the JSE Listings Requirements, the Remuneration Policy will be subject to a non-binding advisory vote at the 2019 AGM. The aim of the Remuneration Policy is to align the interests of Executive Directors with the Group's strategic vision and the long-term creation of shareholder value. The Remuneration Policy is intended to remunerate our Executive Directors competitively and appropriately for effective delivery of the Group's strategy and creation of shareholder value and allows them to share in this success and the value delivered to shareholders.

In accordance with the JSE Listings Requirements, as the vote at the extraordinary general meeting on the revised Remuneration Policy was voted against by more than 25% of the votes exercised by the Company's shareholders, the Company extended an invitation to dissenting shareholders to engage with the Company. As discussed on page 73, the Company engaged with the one shareholder that responded to that invitation.

DIRECTORS' REMUNERATION POLICY

Executive Directors' Remuneration Policy

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

Fixed remuneration

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

Variable remuneration

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

DIRECTORS' REMUNERATION POLICY continued

Executive Directors' Remuneration Policy continued

Variable remuneration continued

Element, purpose and strategic link	Operation	Maximum opportunity
2018 LTIP To provide a clear link between the remuneration of the Executive Directors and the creation of value for shareholders by rewarding the Executive Directors for the achievement of longer-term objectives aligned to shareholders' interests.	The Remuneration Committee intends to make long-term incentive awards under the 2018 LTIP approved at the 2018 general meeting. Under the 2018 LTIP, the Remuneration Committee may grant awards as conditional shares or as nil-cost options. Awards may be granted in respect of: » the Company's financial year ending 31 March 2019 ("2018 Awards"); » the Company's financial year ending 31 March 2020 ("2019 Awards"); and » the Company's financial year ending 31 March 2021 ("2020 Awards"). 2018 Awards and 2019 Awards will be divided into "Ordinary Awards" and "Outperformance Awards". 2020 Awards will consist of "Ordinary Awards" only. Awards will usually vest following the assessment of the applicable performance conditions. Awards will then be subject to a two year holding period on the basis that either: (1) the participant will not be entitled to acquire shares until the end of that period; or (2) the participant is entitled to acquire shares following vesting but that (other than as regards sales to cover tax liabilities) the award is not released (so that the participant is able to dispose of those shares) until the end of the holding period. An additional payment (in the form of cash or shares) may be made in respect of shares which vest under the 2018 LTIP to reflect the value of dividends which would have been paid on those shares during the period beginning with the vesting date and ending with the release date (this payment may assume that dividends had been reinvested in shares on such basis as the Remuneration Committee determines). Recovery provisions apply as referred to below.	The maximum award to an Executive Director under the 2018 LTIP is: » 2018 Award: 1,200,000 shares in respect of the Ordinary Award and 300,000 shares in respect of the Outperformance Award; » 2019 Award: 1,200,000 shares in respect of the Ordinary Award and 300,000 shares in respect of the Outperformance Award; and » 2020 Award: 1,000,000 shares in respect of the Ordinary Award. The number of shares over which an Executive Director is granted an award in respect of any financial year shall not exceed such number of shares as have a market value (as determined by the Board) at the date of grant equal to 300% of the Company's Chief Executive Officer's base salary prevailing at the date on which the award is granted or, if there is no permanent Chief Executive Officer at the relevant date of grant, the base salary payable to the Company's most recently incumbent permanent Chief Executive Officer. The maximum number of shares over which an award may be granted may be adjusted to reflect any variation of capital or other relevant event, in accordance with the rules of the 2018 LTIP. Awards under the 2018 LTIP will vest subject to the satisfaction of performance conditions as referred to below this table. The performance conditions for the 2018 Awards will be assessed over the Company's three financial years ending 31 March 2021, the performance conditions for the 2019 Awards will be assessed over the Company's four financial years ending 31 March 2022, and the performance conditions for the 2020 Awards will be assessed over the Company's five financial years ending 31 March 2023.

Legacy arrangements

The Remuneration Committee retains discretion to make any remuneration payment or payment for loss of office outside the Remuneration Policy in this report and to exercise any discretion available in relation to any such payment:

» where the terms of the payment were agreed before the Remuneration Policy came into effect (including the satisfaction of awards granted under the 2015 LTIP); and

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

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

Information supporting the Remuneration Policy table

Explanation of performance measures chosen

Annual bonus

Performance measures for the annual bonus are selected to reflect the Group's strategy. Performance targets are set each year by the Remuneration Committee, taking into account a number of different factors.

For FY19/20, the annual bonus will be subject to appropriately stretching performance conditions based on adjusted funds from operations ("FFO") (as regards 70% of the award), strategic objectives (as regards 10% of the award) and personal objectives (as regards 20% of the award). The Remuneration Committee considers that adjusted FFO is the primary measure of short-term performance and seeks to balance this with other strategic and personal targets which reflect the contribution and focus of the Executive Directors.

2018 LTIP

The performance measures proposed for the 2018 LTIP awards are based on TNR, TSR and an underpin, as set out in the Notice of General Meeting for the meeting held on 5 December 2018.

The Remuneration Committee retains the discretion to adjust or set different performance measures or targets where it considers it appropriate to do so (for example, to reflect a change in strategy, a material acquisition and/or a divestment of a Group business or change in prevailing market conditions and to assess performance on a fair and consistent basis from year to year). Awards may be adjusted in the event of a variation of share capital or other relevant event in accordance with the rules of the 2018 LTIP.

Recovery provisions

Deferred bonus

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

2018 LTIP

Recovery provisions may be applied to awards under the 2018 LTIP up to the second anniversary of the end of an award's performance period. The provisions may be applied in the event of a material misstatement of audited financial results, material error in the information or assumption on which an award was granted or vests, material risk management failure, serious reputational damage to any member of the Group, material corporate failure or gross misconduct.

If the recovery provisions are applied, an award may be cancelled or reduced (if shares have not been delivered to satisfy it) or the Executive Director may be required to make a cash payment to the Company in respect of some or all of the shares already acquired.

Shareholding guidelines

To align the interests of Executive Directors with those of shareholders, the Remuneration Committee has adopted shareholding guidelines in accordance with which Andrew Coombs and Alistair Marks are expected to retain half of all Shares acquired under the deferred bonus, 2015 LTIP (after sales to cover tax) and 2018 LTIP (after sales to cover tax) until such a time as their holding has a value equal to 300% of salary.

Shares subject to the 2018 LTIP awards which have vested but have not been released (that is, which are in a holding period), or which have been released but have not been exercised, count towards the guidelines on a net of assumed tax basis.

These guidelines cease to apply on cessation of employment but are replaced by a post-cessation holding guideline as set out on page 60.

Non-executive Directors' Remuneration Policy

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

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

Approach to recruitment remuneration

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

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

The maximum variable remuneration that may be granted on recruitment (excluding buy out awards referred to above) is a bonus of up to 100% of salary, and awards under the 2018 LTIP up to the maximum permitted under the rules of the 2018 LTIP as referred to in the table above.

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

Service contracts

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

Name	Commencement	Notice period
Danny Kitchen	24 September 2018	3 months
Andrew Coombs	20 January 2012	6 months
Alistair Marks	20 January 2012	6 months
Justin Atkinson	13 March 2017	3 months
James Peggie	27 November 2012	3 months
Jill May	27 November 2017	3 months

Payments for loss of office

Payments for loss of office will be in line with the provisions of the Executive Directors' service contracts and the rules of the share plans.

Payment in lieu of notice

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

Annual bonus

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

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

2018 LTIP

If an Executive Director ceases employment with the Group before an award under the 2018 LTIP vests as a result of ill health, injury, disability or any other reason at the discretion of the Remuneration Committee, the award will usually be released on the normal release date. The award will vest to the extent determined taking into account performance conditions and, unless the Remuneration Committee determines otherwise, the proportion of the performance period that has elapsed at cessation. The Remuneration Committee retains discretion to release the award at cessation.

If an Executive Director ceases employment for any reason after an award under the 2018 LTIP has vested but during the holding period, the holding period will cease, and the award will be released to the Executive Director at the date of cessation. If the Executive Director is dismissed for gross misconduct, the award will lapse.

If an Executive Director dies, any unvested award will vest as soon as is practicable and to the extent determined by the Remuneration Committee taking into account the application of the performance conditions and, unless the Remuneration Committee determines otherwise, the proportion of the performance period that has elapsed as at the date of death.

Although the holding period will cease to apply to an award where an Executive Director ceases employment and the award does not lapse, it will be replaced, other than in the event of death, with a post-cessation shareholding guideline in accordance with which the Executive Director will be required to retain for twelve months Shares with a value (assessed at the date of leaving) equal to 200% of his salary at cessation. Shares subject to options which are capable of exercise and in respect of which there is no risk of forfeiture other than clawback shall count towards the requirement on a net of assumed tax basis. The Remuneration Committee may, at its discretion, reduce the required post-cessation holding period to take account of any period of garden leave.

Other payments

In appropriate circumstances, payments may also be made in respect of accrued holiday, outplacement, legal fees and other benefits. The Remuneration Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise of any claim arising in connection with the termination of a Director's office or employment.

Payments for loss of office continued

Other payments continued

Where the Remuneration Committee retains discretion it will be used to provide flexibility in certain situations, taking into account the particular circumstances of the Director's departure and performance.

Corporate events

In the event of a change of control of the Company or other relevant event, unvested awards under the 2018 LTIP will vest and be released (and vested but unreleased awards will be released) as soon as reasonably practicable.

The extent to which an unvested award is released will be determined taking into account: (1) the extent to which the performance condition is satisfied, as determined by the Remuneration Committee; and (2) if the event occurs in the first half of the applicable performance period, a reduction to reflect the proportion of the performance period that has elapsed, unless the Remuneration Committee determines otherwise.

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

Operation of share plans

The Remuneration Committee may operate the Company's share plans, as approved by shareholders where relevant, in accordance with their terms, including exercising any discretions available to them under the plans.

Consultation with shareholders

The Remuneration Committee believes that ongoing dialogue with major shareholders in relation to executive remuneration is of key importance and consulted with major shareholders in relation to the 2018 LTIP, finalising the proposals having regard to feedback received. The Remuneration Committee will consider shareholder feedback received on remuneration matters including issues raised at the meeting as well as any additional comments received during any other meeting with shareholders. The Remuneration Committee will seek to engage directly with major shareholders and their representative bodies should any material changes be made to the Remuneration Policy.

In the event that 25% or more of shareholders vote against either the Remuneration Policy or the Annual report on remuneration, the Company will, in its voting announcement, pursuant to the JSE Listings Requirements, extend an invitation to dissenting shareholders to engage with the Company, through dialogue, requesting written submissions or otherwise, in order to address shareholder concern, always with due regard to meeting the Company's stated business objectives whilst being fair and responsible.

Statement of consideration of employment conditions elsewhere in the Group

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

External appointments

Neither of the Executive Directors currently has an external appointment. The Directors recognise that external appointments can broaden an individual's skills and experience. If an Executive Director wishes to take up an external appointment, he or she must first seek approval from the Chairman.

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Annual report on remuneration

Single figure table

The following table sets out total remuneration for each Director in respect of the year ended 31 March 2019 (converted, where relevant, to euros based on the exchange rate of 1.16 unless stated otherwise).

31 March 2019	Salary/fees	Benefits[1]	Pension[7]	Bonus[5]	LTIP[6]	Total
Executive Directors						
Andrew Coombs	€471,795	€12,764	€70,769	€448,205	€5,628,000	**€6,631,533**
Alistair Marks	€350,796	€27,410	€52,619	€333,256	€5,628,000	**€6,392,081**
Non-executive Directors						
Danny Kitchen[2]	€71,024	—	—	—		**€71,024**
Justin Atkinson	€54,150	—	—	—		**€54,150**
Wessel Hamman[3]	€34,200	—	—	—		**€34,200**
James Peggie[4]	€97,130	—	—	—		**€97,130**
Jill May	€45,600	—	—	—		**€45,600**

(1) Using exchange rates at the end of the month in which the transaction occurred.

(2) Danny Kitchen was appointed as Chairman on 24 September 2018, and his fees reflect his role as Chairman since his appointment.

(3) Wessel Hamman stepped down from his Committee positions on 2 November 2018, and from the Board on 31 December 2018. The figures above are based on fees earned during the period to 31 December 2018.

(4) James Peggie was acting Chairman from 1 January 2018 until 24 September 2018 when Danny Kitchen was appointed. His fees reflect this role.

(5) Pension contribution is 15% of salary for each Executive Director.

(6) Includes the value of the bonus paid in cash and the value of the bonus deferred into shares, as described below.

(7) After the surrender of 4% of their awards (350,000 shares) as described in this report. The LTIP figures are calculated using a share price of €0.67, being the share price at vesting (2 July 2018), multiplied by the number of post-surrender shares.

Annual report on remuneration continued

Single figure table continued

The following table sets out total remuneration for each Director in respect of the year ended 31 March 2018 (converted to euros based on the exchange rate of 1.14 unless stated otherwise).

31 March 2018	Salary/fees	Benefits[1]	Pension[8]	Bonus[7]	Total
Executive Directors					
Andrew Coombs	€456,000	€8,775	€68,400	€456,000	€989,175
Alistair Marks	€345,000	€25,665	€51,750	€345,000	€767,415
Non-executive Directors					
Neil Sachdev[2]	€121,983	–	–	–	€121,983
Robert Sinclair[3]	€25,521	–	–	–	€25,521
Justin Atkinson[4]	€50,593	–	–	–	€50,593
Wessel Hamman	€46,094	–	–	–	€46,094
James Peggie[5]	€76,255	–	–	–	€76,255
Jill May[6]	€15,687	–	–	–	€15,687

(1) Using exchange rates at the end of the month in which the transaction occurred.

(2) Neil Sachdev resigned on 31 December 2017.

(3) Robert Sinclair retired at the AGM on 22 September 2017.

(4) Justin Atkinson was appointed as Chairman of the Audit Committee on 22 September 2017 and his fees therefore reflect his role as both Non-executive Director and Chairman of the Audit Committee.

(5) James Peggie was acting Chairman from 1 January 2018. His fees reflect this role.

(6) Jill May was appointed to the Board on 27 November 2017 and her fees reflect her role as Non-executive Director since her appointment.

(7) Includes the value of the bonus paid in cash and the value of the bonus deferred into shares, as described in the Directors' remuneration report ending 31 March 2018.

(8) Pension contribution is 15% of salary for each Executive Director.

Additional disclosures in respect of the single figure table

Base salary

The salaries applicable at the beginning of the financial year 1 April 2019 are shown below (converted to euros based on the exchange rate of 1.16, where relevant).

Executive Director	Base salary at 1 April 2018[1]
Andrew Coombs	€471,495
Alistair Marks	€350,796

(1) Neither Executive Director's salary was increased for the financial year ended 31 March 2018. Base salary stated at 1 April 2018 reflects a discretionary increase for each Executive Director over the previous year's salary, which was calculated in line with German inflation.

Taxable benefits

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

Annual bonus

For the year ended 31 March 2019, each of Andrew Coombs and Alistair Marks was awarded a bonus opportunity equal to a maximum of 100% of base salary. The following table sets out the bonus earned by the Executive Directors and how this reflects performance for the year.

Performance measure	Opportunity for maximum performance (% of salary)	Actual performance	Bonus earned (% of salary)
Adjusted funds from operations performance Adjusted funds from operations ("Adjusted FFO") to fall in a target range of €43,500,000 (no bonus) to €47,500,000 (maximum bonus). Adjusted FFO means recurring profit before tax adjusted for depreciation, amortisation of financing fees, senior management bonus costs and accruals and current tax receivable/incurred, and excluding any acquisitions completed in FY19 (except for the Saarbrücken (Neugrabenweg) and Düsseldorf (In der Steele) acquisitions which completed just after the prior year end, on 1 April 2018, and the disposal of Bremen Brinkmann which completed shortly after, on 2 May 2018).	Capped at 70%	Adjusted FFO as calculated for this measure came to €48,962,000. Maximum target range exceeded such that maximum bonus opportunity under this measure achieved.	70%
Personal objectives Achievement of the following personal objectives:	20%	Performance measures achieved based on the delivery of the following:	20%
Objectives applying to each Executive Director			
Completing asset acquisitions and disposals during the year.		Achieved. €101.2 million of assets (including acquisition costs) acquired and €27.4 million of assets disposed.	
Overseeing the completion of targets within the capex investment programmes.		Achieved. 135,657sqm completed across all capex investment programmes (including the Original and New Acquisitions Capex Investment Programmes).	
Maintaining the reported loan to value for FY19 at 40%. Loan to value is defined as debt (less any surplus cash raised from new debt facilities and held as cash reserves) divided by gross property assets (plus cash held from disposals or equity raises awaiting investment).		Achieved: Loan to value on this measure was 34.1% as at 31 March 2019.	
Objectives applying to Mr Coombs			
Broadening the investor base and fulfilling key investor initiatives via investor and analyst roadshows.		Achieved. Mr. Coombs conducted investor and analyst roadshows in the UK, South Africa and the USA and visits to Germany. Mr. Coombs also presented at the EPRA conference, Munich EXPO, MIPIM and the London Share Society. Several notable new investors have been brought on to the Sirius register as a result of these efforts over the course of the year.	
Delivering training initiatives to Sirius' employees.		Achieved. Over the course of the year, 309 delegate training days have been delivered to the management division, sales force and new starters.	
Objectives applying to Mr Marks			
Implementing an internal audit process.		Achieved. During the year, BDO has completed a review of Sirius' internal controls and PwC has completed a tax review, both of which have been reported to the Audit Committee.	
Achieving working capital and free cash headroom targets at sufficient levels throughout the course of the year.		Achieved. Free cash and working capital have been maintained at sufficient levels throughout the year.	

Annual bonus continued

Performance measure	Opportunity for maximum performance (% of salary)	Actual performance	Bonus earned (% of salary)
Strategic objectives Securing new unsecured debt.	10%	Partly achieved. Good progress made towards this objective during the year, considering market conditions and a competitive secured lending market.	5%

Based on this performance, each Executive Director earned a bonus of 95% of salary. 65% of the bonus earned is paid in cash with the remaining 35% deferred into a share award under the deferred bonus plan, half of which vests after one year and half of which vests after two years, with the benefit of dividend equivalents (paid in shares) in respect of dividends paid over the deferral period.

			Bonus deferred into shares	
Executive Director	Bonus earned	Bonus paid in cash	Vesting after one year	Vesting after two years
Andrew Coombs[1]	€448,205	€291,333	€78,436	€78,436
Alistair Marks	€333,256	€216,616	€58,320	€58,320

(1) Converted to euros based on the exchange rate of 1.16.

LTIP awards vesting in respect of the year ended 31 March 2019

The 2015 LTIP awards vested on 2 July 2018 based on performance conditions assessed over the three years to 31 March 2018 and a separate assessment based on total shareholder return ("TSR") assessed up to the 20th business day after the announcement of the results for the year to 31 March 2018 (final assessment date 29 June 2018). Vesting was at the maximum level for all participants as summarised below.

Andrew Coombs and Alistair Marks each held an award under the 2015 LTIP over 7,000,000 shares which vested by reference to total NAV return ("TNR") over the three financial years ending on 31 March 2018, with two multipliers then capable of adjusting the number of shares that vested. We announced on 28 June 2018 that the Executive Directors, Andrew Coombs and Alistair Marks, along with Group Sales Director, Rüdiger Swoboda, had each voluntarily surrendered 4% of their awards for nil cost, to enable awards to be reallocated to 79 employees who did not participate in the 2015 LTIP. The following table summarises the vesting outcome of Andrew Coombs' and Alistair Marks' 2015 LTIP awards.

Shares by reference to TNR	TSR multiplier	Peer group multiplier	Total number of shares vested pre-surrender	Number of shares surrendered	Total number of shares vested post-surrender	Post-surrendered value of shares in single figure table
7,000,000[1]	1.25x[2]	n/a[3]	8,750,000	(350,000)	8,400,000	€5,628,000[4]

(1) The number of shares vesting by reference to TNR over the three financial years ending on 31 March 2018, with full vesting requiring TNR over that period of 15% or more. The Company's TNR over the performance period was 15.33%. Therefore, the TNR performance condition was met in full.

(2) The number of shares calculated by reference to the TNR performance condition could be increased by a maximum factor of 1.25x based upon the Company's total shareholder return ("TSR") movement relative to adjusted NAV per share movement, with the closing TSR value calculated over the 20 dealing days after the announcement of results for the financial year ended 31 March 2018. The TSR multiplier was calculated to be 1.57x and accordingly applied at the maximum of 1.25x.

(3) If the Company's closing TSR (as calculated for the TSR multiplier) was less than 80% of TSR of the selected peer group, the number of shares calculated in accordance with the TSR multiplier would be reduced. The Company's TSR was 383% of the TSR of the peer group and accordingly no reduction was required. Therefore, no reduction was made. The peer group consisted of: A&J Mucklow Group Plc, alstria office REIT AG, Big Yellow Group Plc, Custodian REIT Plc, Hansteen Holdings Plc, RDI REIT Plc, Safestore Holdings Plc, SEGRO Plc, Summit Germany Limited and Workspace Group Plc.

(4) Based on a share price of €0.67, being the share price at vesting (2 July 2018), multiplied by the number of post-surrendered shares.

LTIP awards granted during the year ended 31 March 2019

Awards were granted to the Executive Directors on 15 January 2019 under the new 2018 LTIP, as set out in the table below. Each award was granted in the form of a nil-cost option and consists of an Ordinary Award and an Outperformance Award as described in the circular relating to the general meeting held on 5 December 2018.

Executive Director	Type of award	Maximum number of shares	Face value at grant(1)	% of award vesting at threshold	% of CEO's salary(2)	Performance period
Andrew Coombs	Ordinary Award	1,200,000	€744,000	20.8%	160%	1 April 2018 – 31 March 2021
	Outperformance Award	300,000	€186,000	0%	40%	1 April 2018– 31 March 2021
Alistair Marks	Ordinary Award	1,200,000	€744,000	20.8%	160%	1 April 2018 – 31 March 2021
	Outperformance Award	300,000	€186,000	0%	40%	1 April 2018 – 31 March 2021

(1) For these purposes the face value of the award is calculated by multiplying the number of shares by €0.62 (being the share price at the date of grant).

(2) The cap on the face value of awards at grant is 300% of the CEO's salary.

The performance conditions for the awards granted under the 2018 LTIP are based on the annualised total net asset value return ("TNR") and relative total shareholder return ("TSR") against a peer group, as set out in the table below. Where performance falls between two of the stated levels, vesting will be on a straight-line basis.

	Performance measure	Threshold	Target	Maximum
Ordinary Award	Annualised TNR(1) growth over the performance period (2/3 of the Ordinary Award)	7.5% annualised TNR growth: 166,667 shares vest for each award	10% annualised TNR growth: 483,333 shares vest for each award	13.5% annualised TNR growth: 800,000 shares vest for each award
	Relative TSR(2) against the peer group(2) over the performance period (1/3 of the Ordinary Award)	Median: 83,333 shares vest for each award	n/a	Upper quartile: 400,000 shares vest for each award
Outperformance Award	Annualised TNR growth over the performance period	13.5% annualised TNR growth: nil shares vest	n/a	15% annualised TNR growth: 300,000 shares vest for each award

(1) Calculated as annualised growth in adjusted net asset value plus dividends paid. adjusted net asset value means the net asset value of the Company adjusted for the fair value of derivative hedging instruments, deferred tax and goodwill.

(2) TSR peer group: A&J Mucklow Group Plc, Workspace Group Plc, SEGRO Plc, Big Yellow Group Plc, Safestore Holdings Plc, Custodian REIT Plc, Warehouse REIT Plc, RDI REIT Plc, Regional REIT Limited, VIB Vermögen AG, alstria office REIT-AG, TLG Immobilien AG, Hamborner REIT AG, DIC Asset AG and Around Town SA.

The vesting of any award will also be subject to a requirement that the Company's LTV ratio policy over the applicable performance period in the opinion of the Committee has not been materially exceeded.

The number of shares vesting at each performance level assumes the maximum grants before the application of the annual cap, which is set at a value of the grants not exceeding 300% of the CEO's salary at the date of grant of an award. If the annual cap applies, the number of shares vesting at any performance level will be adjusted proportionately. As set out further on in this report, the Committee supported the awarding of fixed numbers of shares in the same amount to Andrew Coombs and Alistair Marks and in response to the consultation with shareholders adopted a cap based on a multiple of the CEO's salary, to ensure against any movement in the share price causing an unjustifiable increase in the value of those fixed awards as they are made. The Committee does not expect the caps to be invoked, and in respect of the grants made on 15 January 2019, the face value of the annual awards granted to Executive Directors were well below the cap, at 200% of the CEO's salary.

The awards are subject to a two year holding period following vesting during which they cannot be exercised. In the event of cessation of employment, the holding period is replaced by a post-cessation shareholding guideline. The Executive Director will be required to retain for at least twelve months following the date of cessation shares with a market value of 200% of salary. Shares which are subject to vested but unreleased (or released but unexercised) nil-cost options will count towards this limit on a net of assumed tax basis.

Deferred Bonus Plan awards granted in the year

The following nil-cost options were granted on 4 June 2018 under the Deferred Bonus Plan in respect of bonuses earned for the period ending 31 March 2018.

	Type of award	Maximum number of shares awarded	Face value at grant(1)
Andrew Coombs	Nil-cost option	205,882	€146,176
Alistair Marks	Nil-cost option	155,317	€110,275

(1) For these purposes the face value of the award is calculated by multiplying the number of shares by €0.71 (being the share price at the date of grant).

On 4 June 2019, 50% of the shares will vest (rounded down to the nearest whole share where necessary) with the remaining balance vesting on 4 June 2020. Dividend equivalent will be paid (in shares) in respect of dividends paid over the deferral period.

Non-executive Director fees

Non-executive Director fees are shown below (converted to euros based on the exchange rate of 1.16).

	Fees at 1 April 2019
Chairman fee	€139,200
Non-executive Director fee	€46,400
Additional fee for Chair of the Audit Committee	€8,700
Additional fee for Chair of the Remuneration Committee	€8,700
Additional fee for Senior Independent Director	€5,800

Payments made to former Directors during the year

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

Payments for loss of office made during the year

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

Shareholding guidelines and statement of Directors' shareholdings and share interests

In respect of the financial year ending 31 March 2019, the Company's shareholding guidelines as disclosed in the Remuneration Policy required Executive Directors to have acquired and retained half of any shares acquired under the deferred bonus, 2015 LTIP (after sales to cover tax) and 2018 LTIP (after sales to cover tax) until such a time as their holding has a value equal to 300% of salary. Unvested share-based incentives will not be allowed to count towards the requirements. Shares which are vested but have not been released (i.e. that is, which are in a holding period), or which have been released but have not been exercised, count towards the guidelines on a net of assumed tax basis.

The interests of the Directors and their connected persons in the Company's ordinary shares as at 31 March 2019 (or on retirement date, if earlier) were as set out below. Andrew Coombs' and Alistair Marks' shareholding as a multiple of salary is 15.4 times and 14.7 times respectively (calculated using the share price as at 31 March 2019 and using an exchange rate of 1.16). The shareholding guidelines have been met by the Executive Directors. There have been no changes to those interests between 31 March 2019 and the date of signing of these financial statements.

Share ownership

	Shares owned as at 31 March 2018	Shares owned as at 31 March 2019 (or, if earlier, date of stepping down from the Board)
Executive Directors		
Andrew Coombs	4,250,326	9,870,619
Alistair Marks	2,628,568	7,028,568
Non-executive Directors		
Danny Kitchen(1)	n/a	Nil
Justin Atkinson	87,000	87,000
James Peggie	1,402,678	1,346,428
Jill May	Nil	Nil
Wessel Hamman(2)	100,000	100,000

(1) Appointed to the Board on 24 September 2018.

(2) Stepped down from the Board at 31 December 2018.

Shareholding guidelines and statement of Directors' shareholding and share interests continued

Share plan interests

Director	Award	Date of grant	Number of shares subject to award as at 1 April 2018	Number of shares subject to awards granted during the financial year	Number of shares in respect of which award surrendered/ lapsed during the financial year	Number of shares in respect of which award vested and/or exercised during the financial year	Number of shares subject to award as at 31 March 2019	Status
Andrew Coombs	2015 LTIP	9 October 2015	8,750,000	—	(350,000)(1)	8,400,000(2)	—	Vested and exercised
	2018 LTIP	15 January 2019	—	1,500,000	—	—	1,500,000	Unvested, subject to performance conditions(3)
	2018 DBP	4 June 2018	—	205,882	—	—	205,882	Unvested, not subject to performance conditions(4)
Alistair Marks	2015 LTIP	9 October 2015	8,750,000	—	(350,000)(1)	8,400,000(2)	—	Vested and exercised
	2018 LTIP	15 January 2019	—	1,500,000	—	—	1,500,000	Unvested, subject to performance conditions(3)
	2018 DBP	4 June 2018	—	155,317	—	—	155,317	Unvested, not subject to performance conditions(4)

(1) As discussed on page 59, on 28 June 2018 Andrew Coombs and Alistair Marks each voluntarily surrendered 4% of their awards for nil cost.

(2) The number of shares in respect of which these awards vested and/or were exercised is the number before any withholding in respect of tax liabilities.

(3) These awards are subject to performance conditions as set out on page 63.

(4) These awards will vest in respect of 50% of the shares on each of 4 June 2019 and 4 June 2020.

During 2018, 2,120,000 share options were exercised during 2018 by Andrew Coombs.

Implementation of Directors' Remuneration Policy for the year ending 31 March 2020

Information on how the Company intends to implement the Directors' Remuneration Policy for the year ending 31 March 2020 is set out in this report.

Salary/fees

The Executive Directors' salaries have not been increased for the year beginning 1 April 2019. The Executive Directors and certain members of the Senior Management Team have not received pay rises and instead they have awarded above inflation pay increases for the 50 lowest paid workers in the Group and for those in middle management who have taken on increased workloads during the course of the year. No other changes are expected during the year ending 31 March 2020.

Annual bonus

The maximum annual bonus opportunity for the Executive Directors for the year ending 31 March 2020 will remain at 100% of base salary.

The annual bonus will be subject to stretching performance conditions based on Adjusted FFO (as regards 70% of the award), strategic objective (as regards 10% of the award) and personal objectives (as regards 20% of the award). Adjusted FFO means recurring profit before tax(1) adjusted for depreciation, amortisation of financing fees, senior management bonus costs and accruals and current tax receivable/incurred and excluding any acquisitions made during the reporting period. The Adjusted FFO figure will be further adjusted in such a manner as is agreed with the Remuneration Committee for any further disposals completed in FY19.

The Committee considers the performance targets and objectives to be commercially sensitive. Details of the performance targets and objectives, and performance against them, will be disclosed in the Directors' remuneration report for the year ended 31 March 2020, unless they are considered to remain commercially sensitive. The performance targets for the year ended 31 March 2019 have now been disclosed in full on page 63.

(1) Reported profit before tax adjusted for property revaluation, change in fair value of derivative financial instruments and other adjusting items including expenses relating to share incentive plans.

Implementation of Directors' Remuneration Policy for the year ending 31 March 2020 continued

Annual bonus continued

35% of any bonus earned will be deferred into share awards which will ordinarily vest in equal tranches after one and two years respectively, subject to continued employment and malus provisions. The remainder of any bonus earned will be paid in cash. The awards are subject to the rules of the Deferred Bonus Plan.

2018 LTIP

In line with the circular relating to the general meeting held on 5 December 2018, the awards granted under the 2018 LTIP (for FY20, the "**2019 Award**") will be split into an Ordinary Award and Outperformance Award. The maximum number of shares over which an award may be granted to any Executive Director of the Company will be:

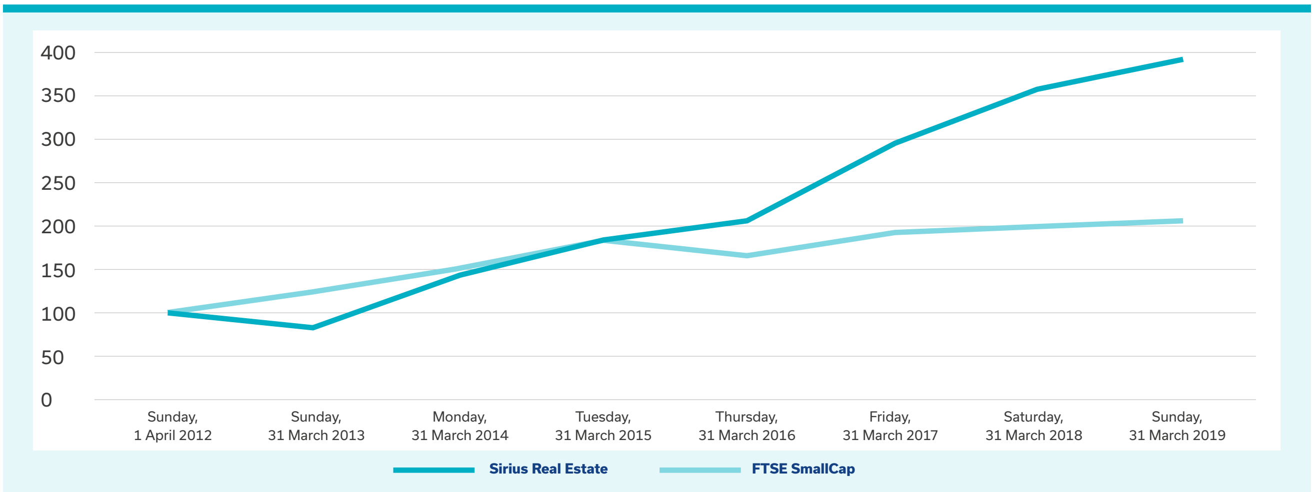
Award	Ordinary Award – maximum number of shares	Outperformance Award – maximum number of shares
2019 Award	**1,200,000**	**300,000**

The Committee considered the performance measures applied to the awards made in respect of FY19 and determined that they remained appropriate and as such should continue to apply; details of the measures can be found on page 63. The award will be subject to a two year holding period.

As Sirius transitions towards a more conventional LTIP, we believe that awarding a fixed number of Shares is closely aligned to shareholders such that if the share price increases the quantum of the annual award will increase and conversely if the share price decreases so does the award quantum. As such, it is considered that Andrew Coombs and Alistair Marks ought to benefit from the same quantum given the strong and, in our view, equally important contributions they make to the business and recognising that Alistair's role is broader than the traditional role expected of a CFO.

Total shareholder return performance graph

The graph below shows the total shareholder return ("TSR") performance for the Company's shares in comparison to the FTSE SmallCap for the period 1 April 2012 to 31 March 2019. The Company is a constituent of this index and as such it has been selected as an appropriate comparator group. For the purposes of this graph, TSR has been calculated as the percentage change during the period in the market price of the shares, assuming that dividends are reinvested. The graph shows the value by 31 March 2019 of €100 invested in the Group over the period compared with €100 invested in the FTSE SmallCap.



Advice to the Committee

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

The Committee received objective and independent advice from Deloitte LLP during the year ended 31 March 2019. Deloitte LLP is a founder signatory to the Remuneration Consultants Group's Code of Conduct and as such voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK. Deloitte's fees for providing remuneration advice to the Committee were £23,091 for the year ended 31 March 2019. Deloitte was appointed by the Committee and has provided share scheme advice and general remuneration advice to the Company. In particular they provided advice in relation to the new LTIP and new Remuneration Policy approved by shareholders on 5 December 2018.

PricewaterhouseCoopers LLP ("PwC") was appointed by the management team during the year to provide LTIP advice to the management team. PwC's fees for providing advice to the management team were £30,000 which was paid for by the Company. The Committee felt that PwC contributed meaningfully towards the restructuring of the previous LTIP into the current structure.

Statement of voting at the previous Annual General Meeting and the general meeting in December 2018

The Company remains committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. The following table sets out actual voting in respect of the advisory vote on the Directors' Remuneration Policy and the vote on the 2018 LTIP at the Company's general meeting on 5 December 2018 and the actual voting in respect of the non-binding advisory vote on the Directors' remuneration report at the Company's Annual General Meeting on 21 September 2018.

AGM voting summary

Resolution	Votes for	% of votes	Vote against	% of vote
Remuneration implementation report	479,565,982	91.46%	37,790,437	7.20%

GM voting summary

Resolution	Votes for	% of votes	Vote against	% of vote
Remuneration Policy	450,416,851	69.42%	197,593,499	30.45%
Sirius Real Estate Long Term Incentive Plan 2018	506,575,386	78.08%	141,435,049	21.80%

The Company noted on 5 December 2018 the outcome of voting at the 2018 general meeting on the resolutions in relation to the Company's Directors' Remuneration Policy and the new 2018 LTIP, which received 69% and 78% support from shareholders respectively. Sirius maintains ongoing dialogue with its shareholders and the Board had consulted extensively with both shareholders and shareholder advisory services before proposals were put to them. It was clear at the time that there were differing views, which were reflected in the minority vote against these particular resolutions. However, in line with the strong majority of our shareholders, we firmly believe the updated Policy and the new 2018 LTIP is in the best interests of the Company and its shareholders.

Although considerable time was given to correspondence over the issues raised by shareholders and changes to the proposed LTIP were made as a result, given our commitment to governance best practice and active stakeholder engagement, the Board extended a further invitation to the shareholders who voted against, to engage with the Company. From the feedback we received, the Board has since written to the sole respondent to address their concern, which was principally around the total opportunity available to the Executive Directors. No further issue has subsequently been raised by that shareholder.

Conclusion

As you will gather from this report, the Committee has had an extremely busy year. The Company has implemented a significantly improved LTIP structure from its predecessor scheme. The performance period covering the 2015 LTIP returned significant total NAV return and share price outperformance and this resulted in a full pay-out of the scheme. The 2015 LTIP was structured when the Company was in a very different position and against this background introducing the 2018 LTIP, which features the many changes set out earlier in this report, involved considerable time and effort. However, the Committee feels the Company its now well set with an attractive and competitive Remuneration Policy.

With the new UK Corporate Governance Code 2018 requiring implementation during the course of the year, the remit of the Committee has widened again, and we look forward to our role in ensuring pay and conditions across the Group are appropriate and fit for purpose. This will require a great deal of work and I would like to thank my colleagues on the Committee and the support we get from the team at Sirius in meeting our obligations to our stakeholders.

Approval

This report was approved by the Board on 31 May 2019 and signed on its behalf by:

James Peggie
Chairman of the Remuneration Committee
31 May 2019

Maintaining ethical standards

"The Committee considers and makes recommendations to the Board in relation to the critical dimensions of how the Company does business."

Dear shareholder

On behalf of the Board, I am pleased to present the Social & Ethics Committee report for the year ended 31 March 2019.

The Social & Ethics Committee's role is to oversee the Company's compliance with its obligations under the JSE Listings Requirements. The Committee considers and makes recommendations to the Board in relation to the critical dimensions of how the Company does business, specifically its value system surrounding ethical standards and social responsibility.

The Committee met on 17 May 2018 to discuss the Committee's terms of reference including matters of best practice and again on 29 March 2019 to review the Company's corporate social responsibility policy and to note the community events undertaken during the period.

Committee member as at 31 March 2019	Meeting attendance
Andrew Coombs (Chairman)	2/2
James Peggie	2/2
Jill May	2/2
Justin Atkinson	2/2

Composition of the Social & Ethics Committee

The Social & Ethics Committee comprises four members. Andrew Coombs acts as Chairman and is able to assist the Committee with the most relevant and up to date considerations in relation to best German practices in industry, employment and corporate social responsibility. The other three members of the Committee are Independent Non-executive Directors, being James Peggie, Justin Atkinson and Jill May. The composition of the Committee complies with the JSE Listings Requirements. It is not a requirement of the UK Corporate Governance Code to have this Committee.

Role and responsibilities

The role of the Social & Ethics Committee is to consider and make recommendations to the Board in relation to the critical dimensions of how the Company does business, specifically its value system surrounding ethical standards and social responsibility.

The Committee shall:

- review the effectiveness of the Company's systems for monitoring compliance with relevant legislation, legal requirements and/or codes of best practice;
- identify and monitor the non-financial aspects relevant to the business of the Company and review appropriate non-financial information that goes beyond assessing the financial and quantitative performance of the Company;
- review the effectiveness of the Company's dealing with safety, health and environment ("SHE") issues and provide the necessary guidance in developing and approving the policy, strategy and structure manage SHE issues;
- review the effectiveness of the Company's environmental strategy regarding:
  - the taking of reasonable measures to prevent significant pollution or degradation to the environment from occurring, continuing or recurring; and
  - minimising and rectifying pollution or degradation that has already been caused;
- review and update as required the Company's corporate social responsibility policy;
- draw matters within its mandate to the attention of the Board as occasion requires; and
- report, through one of its members, to the shareholders at the Company's Annual General Meeting, or in the Company's Annual Report, on the matters within its mandate.

Group initiatives

People

Sirius values every single one of its employees and recognises that the success of the business is built on the efforts and achievements of the workforce as a whole. In recognition of this, in the reporting period the Chief Executive Officer, Chief Financial Officer and the Group Sales Director of the operating company surrendered a portion of the 2015 LTIP share awards to 79 Sirius employees which, once they vested, made them all new Sirius shareholders. This helped to increase the number of shareholders working in the Company to in excess of 100 people. Furthermore, the leadership team at Sirius has fostered a culture of training and development of people and Sirius as a business continues to invest in its people through a series of training and education initiatives, as set out below.

Education and promoting ethical conduct

The Sirius Akademie internal training programme offers training for key employees across a range of topics including communication, finance and facility management and since 2016 over 400 members of staff have taken part in over 40 courses. Twelve programmes for up to 16 participants took place in the year to 31 March 2019. The Akademie held courses in topics ranging from sales processes to property management, P&L management, professional development, communication, healthcare, self-awareness and self-defence. In addition, two leadership programmes, each with 25 managers participating, took place during the reporting period.

Personal development is encouraged and Sirius has an in-house language programme offering both English and German language lessons to managers and employees and where appropriate for the business will sponsor additional learning initiatives for long-standing employees.

Every employee undertakes training in understanding diversity and adhering to the Company's code of conduct, which explains the expectations of everyone working for the Group in terms of the responsibility to each other and to the Group's business partners and stakeholders.

Employee engagement

Sirius carries out an annual employee engagement survey. The feedback is collated and these results are then presented by the CEO Andrew Coombs, where he attends active engagement sessions throughout Germany, with all managers and employees to address any concerns or issues that arise.

As a result of feedback from the latest survey flexible working hours have been introduced for all employees.

Danny Kitchen has been appointed to the role as the designated Non-executive Director for workforce engagement.

Group initiatives continued

Community

Sirius undertakes events and sponsors programmes providing for sporting events and contributing to local charities. In 2019, Sirius has supported charities across Germany from small regional organisations to larger national organisations. The approach to charity work continues to put our employees' personal causes and experiences at the heart of the work that is undertaken. This ensures a deep commitment to the charities that the business supports.

During the reporting period employees voted on the three charities to which they wanted to donate. These were the cancer charity Deutsche Krebhilfe, the children's charity McDonald's Kinderhilfe and the animal shelter Tierheim. The money raised for these charities was then doubled by the Company Directors.

Sirius is also supporting the next generation of entrepreneurs, acting as the main partner and sponsor of the EBSpreneurship Forum. This is Europe's largest student-led entrepreneurship congress. The delegates were provided with free access to business centres to enable them to plan their next forum. Another initiative was the "Christmas in a Shoebox" appeal, where Sirius employees packed and donated shoeboxes full of gifts for children in need around the world.

Sirius actively supports initiatives to encourage employees with health and wellbeing. Regular team sports events are hosted and other wellbeing events throughout the year under review including running, football and yoga. 20 members of our head office staff have free daily access to a local gym within walking distance of their workplace.

Diversity

Sirius continues to encourage gender, age and racial diversity throughout the Group. The Group now has a gender balanced workforce of 50% women (representing 120 of the average full-time equivalent employees) and 50% men (representing 120 of the average full-time equivalent employees), with every third manager being female, and a workforce comprising over 32 nationalities with an age range from 19 to 69 years of age.

As a business Sirius is committed to equal opportunities and workforce diversity. Our German operating company, Sirius Facilities GmbH, is a signatory to the German Charter of Diversity, which means that we have an obligation to ensure all employees undertake basic training relating to equal rights in the workplace (Allgemeines Gleichstellungsgesetz) and to take steps to ensure this culture transcends all employees, as well as the providers of services to Sirius' business parks.

Environment

Sirius continues to look for ways in which it can encourage sustainability and reduce its environmental impact and footprint. One of the key aspects of the business model is the recycling and reconfiguring of former industrial buildings. By doing this the life of ageing structures is extended, thereby avoiding the alternative of a complete rebuild.

Additionally, Sirius aims to equip its tenants with the ability to monitor and manage their energy consumption and has continued to make progress by installing meters to allow them to do this across all sites. This allows tenants to actively measure and identify where efficiencies can be found.

Fostering consumer and supplier relationships

Sirius' bespoke in-house operating platform enables the Company to continue to develop, foster and respond to its consumer and supplier needs, wants and behaviours, whilst protecting privacy. With continued investment in our IT infrastructure and engagement with these key stakeholders via our call centres, mystery shopping exercises and on the ground with our centre managers and teams this has proven invaluable in providing enhanced propositions in the Sirius asset portfolio. Offerings such as the Smartspace product (including office, storage and workbox), Virtual Office and First Choice Business Centres have been designed following engagement with our customers and we continue to enhance and upgrade our portfolio of assets through our capex investment programmes which focus on deploying investment into sub-optimal space.

Andrew Coombs
Chairman of the Social & Ethics Committee
31 May 2019

The Directors submit their report with the audited financial statements for the year ended 31 March 2019. A review of the Group's business and results for the year is contained in the Chairman's statement, the Asset management review and the Financial review which should be read in conjunction with this report.

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

The Directors submit their report together with the Group's consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and related notes for the financial year ended 31 March 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB and in accordance with any relevant enactment for the time being in force, and are in agreement with accounting records, which have been properly kept in accordance with Section 238 of the Companies (Guernsey) Law 2008.

Business of the Group

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

Results for the year

These results are set out in the consolidated statement of comprehensive income on page 88.

The Group's profit after tax attributable to the equity holders of the Company for the year was €128.7 million (2018: €81.3 million).

The Board has declared a final dividend of 1.73c per share for the second half of the year ended 31 March 2019 representing 70% of FFO[1]. The final dividend will be paid on 22 August 2019, with the ex-dividend dates being 10 July 2019 for shareholders on the South African register and 11 July 2019 for shareholders on the UK register. It is intended that this dividend will be paid in cash or at the shareholders' election may be taken in shares by way of a scrip alternative. A detailed dividend announcement will be made in due course, including details of a scrip dividend alternative. Dividends will continue to be paid in cash on a semi-annual basis and shareholders may also be offered a scrip alternative. The board confirms the use of distribution per share as the relevant measure of financial results for the purposes of trading statements to comply with the JSE Listings requirements.

(1) See note 25 in the Annual Report.

Going concern and viability statement

The Directors have examined significant areas of possible financial risk and have reviewed cash flow forecasts and compliance with debt covenants, in particular the loan to value covenants and interest cover ratios on each of the Group's financing commitments.

They have not identified any material uncertainties which would cast significant doubt on the Group's ability to continue as a going concern for a period of not less than twelve months from the date of the approval of the financial statements. The Directors have satisfied themselves that the Group has adequate resources to continue in operational existence for at least twelve months from the date of the approval of the financial Statements. After due consideration, the Board believes it is appropriate to adopt the going concern basis in preparing the financial statements.

The viability statement can be found on page 77. The Group's activities, strategy and performance are explained in the strategic report from page 2. Further details of the financial performance and financial position of the Group are provided in the financial statements on pages 81 to 124.

Valuation and net assets

(i) Valuation

Cushman & Wakefield LLP (2017: Cushman & Wakefield LLP) valued the Group's investment properties, excluding assets held for sale, at €976 million as at 31 March 2019 (2018: €917.3 million). After adjusting investment properties for lease incentive accounting the value of investment properties is shown as €972.9 million (2018: €913.8 million) in the consolidated statement of financial position.

(ii) Net assets

The investment property valuation has been incorporated into the financial statements for the year ended 31 March 2019 and the net assets of the Group at that date amounted to €726 million (2018: €625.6 million).

Directors

	Date appointed
Wessel Hamman[R]	17 May 2011
James Peggie[2]	28 November 2012
Andrew Coombs	1 May 2014
Alistair Marks	1 May 2014
Justin Atkinson	13 March 2017
Jill May	27 November 2017
Danny Kitchen[1]	24 September 2018

(1) Danny Kitchen was appointed as Non-executive Chairman on 24 September 2018, then as Chairman of the Nomination Committee on 2 November 2018. He also joined the Remuneration Committee on 2 November 2018.

(2) James Peggie stood down from the role of Acting Chairman on 24 September 2018 and from the role as Chairman of the Nomination Committee on 2 November 2018.

(R) Wessel Hamman retired from the Board on 31 December 2018 and from all Committees on 2 November 2018.

Substantial shareholders

At 31 March 2019, the following shareholders had substantial interests in the issued share capital of the Company.

Shareholder	Number of ordinary shares in which interested	% of issued share capital of the Company
BlackRock Inc.	101,979,967	9.97%
Homestead Group Holdings Limited(1)	70,993,225	6.94%
Bank of Montreal	55,496,320	5.42%
Old Mutual Investment Group	49,535,756	4.84%
Investec Group	43,708,859	4.27%
Standard Life Aberdeen	40,920,475	4.00%
Government of South Africa	37,202,820	3.64%

(1) Since 31 March 2019, Homestead Group Holdings Limited has reduced to 58,683,967 ordinary shares of no par value, being 5.74%.

As at 31 March 2019, 116 non-public owners held 2.29% of shares (there are no treasury shares) which includes those shares held by Executive and Non-executive Directors and 8,239 public shareholders holding 97.71%.

Treasury operations and financial instruments

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

Corporate governance

The Board has resolved that the disclosures to be made in the Annual Report regarding the operation of the Board and its sub-committees should comply with the requirements of the UK Corporate Governance Code, the Companies (Guernsey) Law 2008 the King IV™ and best practice generally (as previously outlined in the Statement of compliance on page 46).

The Board of Directors

The Directors are responsible for the Group's system of internal control and for reviewing its effectiveness. The risk management process and system of internal control are designed to manage rather than eliminate the risk of failure to achieve the Group's objectives.

Any such system of internal control can only provide reasonable, but not absolute, assurance against material misstatement or loss. The Board believes it has an appropriate balance of skills and experience.

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

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

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

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

Directors' attendance

Of the 20 meetings held six were scheduled and the remainder were Board Committee meetings, Board telephone meetings or email resolutions. The majority of ad hoc meetings were held by telephone.

Meetings attended to 31 March 2018

	Danny Kitchen[1]	James Peggie[2]	Wessel Hamman[3]	Justin Atkinson	Andrew Coombs	Alistair Marks	Jill May
Executive	No	No	No	No	Yes	Yes	No
Non-executive	Yes	Yes	Yes	Yes	No	No	Yes
Independent	Yes	Yes	No	Yes	No	No	Yes
Board	6/6	6/6	4/6	6/6	6/6	6/6	6/6
Ad hoc Board	6/7	13/14	3/7	8/14	8/14	11/14	6/14
Audit Committee	n/a	3/3	1/1	3/3	n/a	n/a	3/3
Nomination Committee	n/a	2/2	2/2	2/2	n/a	n/a	2/2
Remuneration Committee	1/1	3/3	1/2	3/3	n/a	n/a	3/3
Social & Ethics Committee	n/a	2/2	n/a	2/2	2/2	n/a	2/2

(1) Danny Kitchen was appointed as Non-executive Chairman on 24 September 2018. On 2 November 2018, he was appointed Chairman of the Nomination Committee and became a member of the Remuneration Committee.

(2) James Peggie stood down as Acting Chairman on 24 September 2018 and stood down as Chairman of the Nomination Committee on 2 November 2018.

(3) Wessel Hamman stood down from the Board on 31 December 2018 and from all Committee positions on 2 November 2018.

Auditors and disclosure of information to auditors

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

» there is no relevant audit information of which the Company's auditors are unaware; and

» each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company auditors are aware of that information.

KPMG LLP did not offer themselves up for re-election as the Company's auditors at the Annual General Meeting on 21 September 2018. Following the completion of the audit tender process and on receiving shareholder approval at the Annual General Meeting on 21 September 2018, the Company appointed Ernst & Young LLP as its auditors subject to EY obtaining full JSE accreditation. The Company confirmed and announced to the market on 18 October 2018 that Ernst & Young LLP had successfully received full accreditation from the JSE. The Audit Committee's review of the appropriateness of the external auditors included assessing their terms of engagement, remuneration, independence, qualifications and compliance.

Company website

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

By order of the Board

Aoife Bennett
Company Secretary
31 May 2019

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have prepared the financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of its profit or loss for that period.

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

» select suitable accounting policies in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and then apply them consistently;

» make judgements and accounting estimates that are reasonable and prudent;

» present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

» state that the Group has complied with IFRS as issued by the IASB, subject to any material departures disclosed and explained in the financial statements;

» provide additional disclosures when compliance with the specific requirements of IFRS as issued by the IASB is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and performance; and

» prepare the Group's financial statements on a going concern basis, unless it is inappropriate to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Annual Report and financial statements comply with the Companies (Guernsey) Law 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Responsibility statement of the Directors in respect of the Annual Report and financial statements

Each of the Directors confirm to the best of their knowledge:

» the financial statements, prepared in accordance with IFRS as issued by the IASB, give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and the undertakings included in the consolidation taken as a whole; and

» the Strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole together with a description of the principal risks and uncertainties that they face.

Each of the Directors confirm to the best of their knowledge that the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

By order of the Board

Danny Kitchen
Chairman
31 May 2019

to the members of Sirius Real Estate Limited

Opinion

We have audited the consolidated financial statements of Sirius Real Estate Limited (the 'Company') and its subsidiaries (together the 'group') for the year ended 31 March 2019 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related notes 1 to 30, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards.

In our opinion, the financial statements:

» give a true and fair view of the state of the Group's affairs as at 31 March 2019 and of its profit for the year then ended;

» have been properly prepared in accordance with International Financial Reporting Standards; and

» have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

» the disclosures in the annual report set out on pages 34 to 42 that describe the principal risks and explain how they are being managed or mitigated;

» the directors' confirmation set out on page 42 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;

» the directors' statement set out on page 93 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;

» whether the directors' statement in relation to going concern required under the Listing Rules is materially inconsistent with our knowledge obtained in the audit; or

» the directors' explanation set out on pages 52 to 53 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters

» The valuation of the investment property portfolio

» Revenue recognition, including the timing of revenue recognition, the treatment of rents, service charge income and lease incentives

» Assessment of uncertain tax positions

Materiality

» Overall group materiality of €6m which represents 0.5% of total assets

» Specific materiality of €2.3m which represents 5% of adjusted profit before tax is applied to account balances not related to investment properties, loans, or derivatives

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Overview of our audit approach continued

Key audit matters continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
The valuation of the investment property portfolio 2019: €973m (2018: €914m) in investment properties and €160m (2018: €17m) included within assets held for sale Refer to the Audit Committee report (pages 50 to 54); Accounting policies (pages 92 to 99); Note 13 of the Financial Statements (pages 107 – 108) and Note 14 of the Financial Statements (pages 109 – 110) The valuation of the investment property portfolio (including investment properties within assets held for sale) requires significant judgement and use of estimates by management and the external valuer. Any input inaccuracies or unreasonable bases used in these judgements (such as in respect of market rental income and yields applied) could result in a material misstatement of the income statement and balance sheet. There is also a risk that management may influence the significant judgements and estimates in respect of property valuations in order to achieve property valuation and other performance targets to meet market expectations or bonus targets.	Our audit procedures in respect of the valuation of investment property included: We evaluated the Group's controls over data used in the valuation of the investment property portfolio and management's review of the valuations. We evaluated the competence of the external valuer which included consideration of their qualifications and expertise. For a sample of properties we performed testing over source documentation provided by the Group to the external valuer. This included agreeing a sample of this documentation back to underlying lease data and vouching costs incurred to date in respect of properties with capital expenditure. We included Chartered Surveyors on our audit team who reviewed and challenged the valuation approach and assumptions for a sample of properties which comprised 42% of the market value of the investment property portfolio (including investment properties within assets held for sale). Our Chartered Surveyors assessed the yield of each property against available market evidence and asset specific considerations. They also assessed whether the other assumptions applied by the external valuer, such as the estimated rental values, voids and tenant improvement allowances were supported by available market data. Together with our Chartered Surveyors, we met with the external valuer to discuss their valuation approach, the judgements they made in assessing the property valuation such as market rental income, yields and other assumptions and the findings from our audit work described above to seek further explanations and/or evidence as required. We also discussed the impact of current market conditions, on the property valuations. We conducted analytical procedures by comparing assumptions and the value of each property in the portfolio by reference to movements in yields and rents during the year and their impact on the valuation, along with asset specific considerations to evaluate the appropriateness of the valuations adopted by the Group. We investigated further the valuations of some properties which included further discussions with management and, where appropriate, obtaining evidence to support the movement in values with the involvement of our Chartered Surveyors. We obtained a confirmation from the external valuer that they had not been subject to undue influence from management. We utilised our analytical procedures and work of the Chartered Surveyors described above in order to assess for evidence of undue management influence. We performed site visits accompanied by our Chartered Surveyors for a sample of properties, to confirm existence, state of repair and the progress on any capital expenditure and/or development. **Scope of our procedures** We performed full scope audit procedures over the valuation of all investment properties, including those classified within assets held for sale.	We have audited the inputs, assumptions and methodology used by the external valuer. We conclude that the methodology applied is appropriate and that the external valuations are a reasonable assessment of the market value of investment properties at 31 March 2019. Our Chartered Surveyors concluded that the sample of valuations they reviewed were within a reasonable range. We conclude that management provided an appropriate level of review and challenge over the valuations but did not identify evidence of undue management influence.

Overview of our audit approach continued

Key audit matters continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Revenue recognition, including the timing of revenue recognition, the treatment of rents, service charge income and lease incentives 2019: €84m rental income and €44m service charge income (2018: €72m rental income and €42m service charge income) Refer to the Audit Committee report (pages 50 to 54); Accounting policies (pages 92 to 99); and Note 2 of the Financial Statements (page 94) Market expectations and profit based targets may place pressure on management to distort revenue recognition. This may result in overstatement of revenues to assist in meeting current or future targets or expectations.	Our audit procedures over revenue recognition included: We carried out testing relating to controls over revenue recognition and the treatment of rents which have been designed by the Group to prevent and detect fraud and errors in revenue recognition. We selected a sample of lease agreements and service charge income balances in the year and agreed the data input into the property management system, including lease incentive clauses. Detailed analytical procedures and cut off procedures were performed using data analytics tools on the recognition of revenue, including rents, incentives and other property related revenue to assess whether revenue had been recognised in the appropriate accounting period. We agreed a sample of lease agreements to the schedules used to calculate straight-lining of revenue in accordance with SIC 15 Operating Leases - Incentives and corroborated the arithmetical accuracy of these schedules and the resulting amounts in revenue for straight-lining of tenant lease incentives. We assessed the service charge calculation and assessed the recoverability of related service charge debtors. We assessed whether the revenue recognition policies adopted complied with IFRS. We performed audit procedures specifically designed to address the risk of management override of controls including journal entry testing, which included particular focus on journal entries which impact revenue. **Scope of our procedures** The whole Group was subject to full scope audit procedures over revenue.	We audited the timing of revenue recognition, treatment of rents, service charge income and lease incentives and assessed the risk of management override. Based upon the audit procedures performed, we have concluded that revenue and service charge income has been recognised on an appropriate basis in the year.

Overview of our audit approach continued

Key audit matters continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Assessment of uncertain tax positions 2019: €16m tax charge (2018: €8m) Refer to the Audit Committee report (pages 50 to 54); Accounting policies (pages 92 to 99); and Note 2 of the Financial Statements (page 94) In the normal course of business, the directors make judgements and estimates in relation to the tax treatment of a number of transactions in advance of the ultimate tax determination being certain. This is due to the complexity of the Group's legal structure (including multiple legal entities), the number of tax jurisdictions in which the Group operates (primarily the UK, Netherlands and Germany), the complexity of international tax legislation and the changing tax environment. Where the amount of tax payable or recoverable is uncertain, the Group makes an assessment based on the directors' judgement of the probable amount of the liability, or expected amounts recoverable. As a result of the complexities in these areas the assessment of uncertain tax matters is a key audit judgement.	Our audit procedures over the tax balances and assessment of uncertain tax positions included: Using tax specialists in the UK, Netherlands and Germany to understand and assess the tax risks for the Group in the various jurisdictions it operates in. Evaluating the process by which the directors, in conjunction with their advisers, assessed uncertain tax positions and their assessment of tax risks arising in the group. Obtaining management's calculation in the assessment of uncertain tax positions and assessment of tax risks in the group arising from multiple tax jurisdictions. Considering any tax advice the Group had received from its tax advisers in relation to the exposures identified to determine whether the treatment is consistent with the advice obtained. Assessing and forming our own views on the key judgements with respect to open and uncertain tax positions. Performing analytical review procedures on the tax charge recognised in the period and the tax rate applied. Evaluating whether the liabilities and potential exposures were appropriately disclosed in the financial statements. **Scope of our procedures** The whole Group was subject to full scope audit procedures over tax balances and the assessment of uncertain tax positions.	As a result of the procedures performed in relation to the assessment of uncertain tax positions we concluded that the amounts accrued for tax liabilities and recognised as an expense during the year and related disclosures have been appropriately made in accordance with the Group's accounting policies and IFRS.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the group. This enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. The audit was approached as a single component with an integrated team completing all audit work.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be €6m, which is 0.5% of total assets. We determined that the total assets balance is the most appropriate basis for determining overall materiality given that the Group's investment property portfolio accounts for 95% of the Group's total assets as at 31 March 2019 and that key users of the Group's financial statements are primarily focused on the valuation of the investment properties portfolio. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

An overview of the scope of our audit continued

Materiality continued

We have determined that for other account balances not related to investment properties, loans, or derivatives a misstatement of less than overall materiality for the financial statements as a whole could influence the economic decisions of users. We have determined that materiality for these areas should be based upon adjusted profit before tax of €2.3m. We believe that it is appropriate to use a profit based measure as profit is also a focus of users of the financial statements.

During the course of our audit, we reassessed initial materiality and, as the total assets figure increased as a result of the year-end revaluation of the investment property portfolio, our final materiality was higher than the materiality we calculated initially.

In their prior year audit KPMG adopted a materiality of €9.4m based on 0.9% of Group gross assets. Specific materiality of €2.4m was based on funds from operations for all balances and classes of transactions that did not impact the investment property balance.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality and specific performance materiality was 50% of our planning materiality, namely €3.0m and €1.1m respectively, in consideration of the fact that this is our first year of audit.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of €0.3m, as well as audit differences in excess of €0.1m that relate to our specific testing of the other account balances not related to investment properties, loans, or derivatives, which is set at 5% of planning materiality. We also agreed to report differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

In their prior year audit KPMG reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding €0.5m or €0.1 million for misstatements relating to procedures performed to the lower specific materiality.

Other information

The other information comprises the information included in the annual report set out on pages 86, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

» **Fair, balanced and understandable set out on page 80** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

» **Audit committee reporting set out on page 51** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or

» **Directors' statement of compliance with the UK Corporate Governance Code set out on page 46** – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

An overview of the scope of our audit continued

Matters on which we are required to report by exception

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

» proper accounting records have not been kept by the Company, or proper returns adequate for our audit have not been received from branches not visited by us; or

» the financial statements are not in agreement with the Company's accounting records and returns; or

» we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page x, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Daniel Saunders
for and on behalf of Ernst & Young LLP
London
31 May 2019

Notes:

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2019

	Notes	**Year ended 31 March 2019 €000**	(Re-presented*) Year ended 31 March 2018 €000
Revenue	5	**140,063**	123,650
Direct costs	6	**(64,299)**	(60,578)
Net operating income		**75,764**	63,072
Gain on revaluation of investment properties	13	**99,887**	63,452
Gain/(loss) on disposal of properties	6	**611**	(2,502)
Administrative expenses	6	**(20,931)**	(24,184)
Operating profit		**155,331**	99,838
Finance income	9	**75**	13
Finance expense	9	**(9,199)**	(10,246)
Change in fair value of derivative financial instruments	9	**(1,495)**	43
Net finance costs		**(10,619)**	(10,190)
Profit before tax		**144,712**	89,648
Taxation	10	**(15,990)**	(8,285)
Profit and total comprehensive income for the year after tax		**128,722**	81,363
Profit and total comprehensive income attributable to:			
Owners of the Company		**128,657**	81,272
Non-controlling interest		**65**	91
Total comprehensive income for the year after tax		**128,722**	81,363
Earnings per share			
Basic earnings per share	11	**12.78c**	8.89c
Diluted earnings per share	11	**12.72c**	8.65c
Basic EPRA earnings per share	11	**4.47c**	3.04c
Diluted EPRA earnings per share	11	**4.45c**	2.96c
Headline earnings per share	11	**4.33c**	3.04c
Diluted headline earnings per share	11	**4.31c**	2.95c

* See note 2(b).

All operations of the Group have been classified as continuing.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 March 2019

	Notes	31 March 2019 €000	(Re-presented*) 31 March 2018 €000
Non-current assets			
Investment properties	13	**972,868**	913,843
Plant and equipment	15	**3,438**	3,126
Goodwill	16	**3,738**	3,738
Other non-current assets	2(b)	**1,813**	1,750
Deferred tax assets	10	**—**	811
Total non-current assets		**981,857**	923,268
Current assets			
Trade and other receivables	17	**10,828**	43,313
Derivative financial instruments		**250**	—
Cash and cash equivalents	18	**36,342**	79,605
Total current assets		**47,420**	122,918
Assets held for sale	14	**164,635**	17,325
Total assets		**1,193,912**	1,063,511
Current liabilities			
Trade and other payables	19	**(40,755)**	(40,972)
Interest-bearing loans and borrowings	20	**(7,408)**	(7,844)
Current tax liabilities		**(579)**	(3,045)
Derivative financial instruments		**(346)**	(6)
Total current liabilities		**(49,088)**	(51,867)
Non-current liabilities			
Interest-bearing loans and borrowings	20	**(324,053)**	(359,234)
Derivative financial instruments		**(806)**	(292)
Deferred tax liabilities	10	**(30,878)**	(26,485)
Total non-current liabilities		**(355,737)**	(386,011)
Liabilities directly associated with assets held for sale	14	**(63,042)**	—
Total liabilities		**(467,867)**	(437,878)
Net assets		**726,045**	625,633
Equity			
Issued share capital	23	**—**	—
Other distributable reserve	24	**491,010**	519,320
Retained earnings		**234,798**	106,141
Total equity attributable to the owners of the Company		**725,808**	625,461
Non-controlling interest		**237**	172
Total equity		**726,045**	625,633

* See note 2(b).

The financial statements on pages 88 to 91 were approved by the Board of Directors on 31 May 2019 and were signed on its behalf by:

Danny Kitchen
Chairman

Company number: 46442

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2019

	Notes	Issued share capital €000	Other distributable 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 2017		—	470,318	24,869	495,187	81	495,268
Shares issued, net of costs		—	63,352	—	63,352	—	63,352
Share-based payment transactions	8	—	3,674	—	3,674	—	3,674
Dividends paid		—	(18,024)	—	(18,024)	—	(18,024)
Total comprehensive income for the year		—	—	81,272	81,272	91	81,363
As at 31 March 2018		—	519,320	106,141	625,461	172	625,633
Shares issued		—	—	—	—	—	—
Transaction costs relating to share issues		—	(30)	—	(30)	—	(30)
Share-based payment transactions	8	—	(4,516)	—	(4,516)	—	(4,516)
Dividends paid	25	—	(23,764)	—	(23,764)	—	(23,764)
Total comprehensive income for the year		—	—	128,657	128,657	65	128,722
As at 31 March 2019		**—**	**491,010**	**234,798**	**725,808**	**237**	**726,045**

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 March 2019

	Notes	Year ended 31 March 2019 €000	Year ended 31 March 2018 €000
Operating activities			
Profit for the year after tax		**128,722**	81,363
Taxation	10	**15,990**	8,285
(Gain)/loss on sale of properties	6	**(611)**	2,502
Share-based payments	6	**232**	4,310
Gain on revaluation of investment properties	13	**(99,887)**	(63,452)
Change in fair value of derivative financial instruments		**1,495**	(43)
Depreciation	6	**1,373**	1,086
Finance income	9	**(75)**	(13)
Finance expense	9	**9,199**	8,898
Exit fees/prepayment of financing penalties	9	**—**	1,348
Changes in working capital			
Increase in trade and other receivables		**(3,791)**	(2,730)
Increase in trade and other payables		**2,260**	2,271
Taxation paid		**(1,806)**	(756)
Cash flows from operating activities		**53,101**	43,069
Investing activities			
Purchase of investment properties		**(67,078)**	(121,252)
Prepayments relating to new acquisitions	17	**(410)**	(34,585)
Capital expenditure		**(26,130)**	(19,104)
Purchase of plant and equipment		**(1,690)**	(1,649)
Proceeds on disposal of properties (including held for sale)		**27,425**	102,510
Interest received	9	**75**	13
Cash flows used in investing activities		**(67,808)**	(74,067)
Financing activities			
Issue of shares net of costs		**(30)**	63,352
Payment relating to exercise of share options		**(4,748)**	—
Dividends paid	25	**(23,764)**	(18,024)
Proceeds from loans	20	**22,114**	78,930
Repayment of loans		**(9,062)**	(53,551)
Exit fees/prepayment of financing penalties		**—**	(1,348)
Finance charges paid		**(9,126)**	(7,451)
Cash flows (used in)/from financing activities		**(24,616)**	61,908
(Decrease)/increase in cash and cash equivalents		**(39,323)**	30,910
Cash and cash equivalents at the beginning of the year		**79,605**	48,695
Cash and cash equivalents at the end of the year	18	**40,282**	79,605

* Includes €17,325,000 (2018: €96,000,000) proceeds from sale of assets held for sale.

1. General information

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

The consolidated financial information of the Company comprises that of the Company and its subsidiaries (together referred to as the "Group") for the year ended 31 March 2019.

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

2. Significant accounting policies

(a) Basis of preparation

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

The Company has chosen to prepare its annual consolidated financial statements in accordance with International Financial Reporting Standards as issued by the IASB ("IFRS") as a result of the primary listing on the JSE. The Company previously prepared consolidated financial information in accordance with IFRS as adopted by the EU ("IFRS EU"). Accordingly, the consolidated financial information as at 31 March 2019 and the comparative period has been prepared in accordance with IFRS as issued by the IASB. There were no noted differences between IFRS as issued by the IASB and IFRS as adopted by the EU that are relevant to the Group. Therefore, no changes to previously reported financial information were made as a result of this change in the basis of preparation of financial statements.

As at 31 March 2019 the Group's consolidated financial statements reflect 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).

(b) Changes in accounting policies and other re-presentations

For the period beginning on 1 April 2018 the Group had to adopt IFRS 9 "Financial Instruments" (IFRS 9) and IFRS 15 "Revenue from Contracts with Customers" (IFRS 15) for the first time. The adoption of these new standards and other amendments to existing standards and interpretations effective from 1 April 2018 did not materially impact the set of consolidated financial statements for the year ended 31 March 2019 and no retrospective adjustments were made.

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 replaced the existing regulations for the recognition of revenue in accordance with IAS 18 "Revenue" and IAS 11 "Construction Contracts". Consequently, revenues are recognised when the customer obtains control over the agreed distinct goods and services and can derive benefits from these. IFRS 15 does not apply to rental income, which makes up approximately 60% of total revenue of the Group, but does apply to other revenue streams, namely service charge income and proceeds on disposal of investment property. The first-time application of the standard using modified retrospective approach has not had a material impact either on the consolidated statement of comprehensive income on the consolidated statement of financial position or required disclosures using modified retrospective approach. Please refer to note 2(h) for the revised accounting policies and note 3 details on judgements.

IFRS 9 "Financial Instruments"

IFRS 9 provides a standardised approach for classification, measurement and derecognition of financial assets and liabilities, and introduces new rules for hedge accounting and a new impairment model for financial assets. The Group applied IFRS 9 retrospectively and did not elect to restate the comparative information. The adoption of IFRS 9 has changed the Group`s accounting policy for impairment losses for financial assets by replacing IAS 39`s incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and for contract assets. There were no material changes identified from adoption of the standard. Please refer to note 2(q), 2(u), 2(v) and 2(y) for the revised policies.

As part of the Group's review of the impact of adopting the amendments to IFRS the Group has taken the opportunity to revisit its accounting policies. As a result, the following adjustments were recorded to represent the financial statements:

Revenue and direct costs

The Group had previously a) incorrectly netted service charge income received from tenants against the direct costs to which the income relates and b) incorrectly netted rental and other income from managed properties against costs relating to managed properties. The Group has reassessed these treatments and concluded that it operates as a principal in both cases and that the amounts should be recognised gross. The impact of this re-presentation is to increase revenue and direct costs by €51,511,000 in the year to 31 March 2018.

There is no impact on basic, diluted, headline or adjusted earnings per share. There was no impact on 31 March 2018 and 1 April 2017 in regard to the balance sheet, net assets and net profits. Accordingly, a third balance sheet is not presented.

2. Significant accounting policies continued

(b) Changes in accounting policies and other re-presentations continued

Assets held for sale

The Group had previously presented assets held for sale within current assets. In accordance with IFRS 5 and industry practice, this has been re-presented separately from other assets in the statement of financial position. The impact of this re-presentation is to decrease current assets by €17,325,000 at 31 March 2018 (1 April 2017: €96,000,000).

There is no impact on basic, diluted, headline or adjusted earnings per share. There was no impact on 31 March 2018 and 1 April 2017 in regard to net assets and net profits, accordingly a third balance sheet is not presented.

Other non-current assets

The Group has re-allocated non-current guarantees/deposits amounting to €1,750,000 at 31 March 2018 from other receivables to other non-current assets which were previously incorrectly accounted for within current assets (1 April 2017: €25,000).

There is no impact on basic, diluted, headline or adjusted earnings per share. There was no impact on 31 March 2018 and 1 April 2017 in regard to net assets and net profits, accordingly a third balance sheet is not presented.

(c) Statement of compliance

The consolidated 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 the JSE Limited, IFRS and Companies (Guernsey) Law. The consolidated financial statements have been prepared on the same basis of the accounting policies set out in the Group's annual financial statements for the year ended 31 March 2018, except for the changes in accounting policies as shown in note 2(b). The Group's annual financial statements refer to new standards and interpretations, none of which had a material impact on the financial statements (see note 2(a)). All forward-looking information is the responsibility of the Board of Directors and has not been reviewed or reported on by the Group's auditors.

(d) Going concern

Having reviewed the Group's current and future trading, cash flow and covenant forecasts, together with sensitivities and mitigating factors and the available facilities, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for at least twelve months from the date these consolidated financial statements are approved. At 31 March 2019, the value of current liabilities exceeded the current assets by €1.7m. Due to the availability of undrawn bank facilities, which more than exceeds the net current liability position and the ownership of unencumbered assets, there is no impact on our ability to continue as a going concern. Accordingly, the Board continued to adopt the going concern basis in preparing the historical financial information.

(e) Basis of consolidation

The consolidated financial information comprises the financial information of the Group as at 31 March 2019. The financial information of the subsidiaries is prepared for the same reporting period as the Company, using consistent accounting policies.

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

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

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

(f) Acquisitions

Investment property acquisitions that are not accounted for as business combinations under IFRS 3 "Business Combinations" are treated with as acquisitions of investment property assets. Every transaction is assessed as either an asset acquisition or a business combination. During the period it was assessed that all investment properties purchased in the period should be accounted for as asset acquisitions due to the fact that the Group implements its own internal process and the key elements of the infrastructure of the business were not purchased.

(g) Foreign currency translation

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

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

2. Significant accounting policies continued

(h) Revenue recognition

Rental income

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which the benefit derived from the leased asset is diminished. Fixed or determinable rental increases, which can take the form of actual amounts or agreed percentages, are recognised on a straight-line basis over the term of material leases. If the increases are related to a price index to cover inflationary cost increases then the policy is not to spread the amount but to recognise them when the increase takes place.

The value of rent free periods and all similar lease incentives is spread on a straight-line basis over the term of material leases only. Where there is a reasonable expectation that the tenant will exercise break options, the value of rent free periods and all similar lease incentives is booked up to the break date.

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group mainly generates revenue from contracts with customers for services rendered to tenants including management charges and other expenses recoverable from tenants ('service charge income'). These services are specified in the lease agreements and separately invoiced.

The individual activities vary significantly throughout the day and from day to day however, the nature of the overall promise of providing property management service remains the same each day. Accordingly, the service performed each day is distinct and substantially the same. These services represent a series of daily services that are individually satisfied over time because the tenants simultaneously receive and consume the benefits provided by the Group. The actual service provided during each reporting period is determined using cost incurred as the input method.

Transaction price are regularly updated and are estimated at the beginning of each year based on previous costs and estimated spend. Service charge budgets are prepared carefully to make sure that they are realistic and reasonable. Variable consideration is only included in the transaction price to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The variable consideration is allocated to each distinct period of service (i.e. each day) as it meets the variable consideration allocation exception criteria.

The Group acts as a principal in relation to these services, and records revenue on a gross basis, as it typically controls the specified goods or services before transferring them to tenants.

Where amounts invoiced to tenants are greater than the revenue recognised at the period end date, the difference is recognised as unearned revenue when the group has unconditional right to consideration, even if the payments are non-refundable. Where amounts invoiced are less than the revenue recognised at the period end date, the difference is recognised as contract assets or, when the group has a present right to payment, as receivables albeit unbilled.

Rental and other income from managed properties

As the Group derives income and incurs expenses relating to properties it manages but does not own, such income and expense is disclosed separately within revenue and direct costs. Income relating to managed properties is accounted for according to revenue recognition accounting polices set out above.

Interest income

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

(i) Leases

Group as lessor

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

(j) Income tax

Current income tax

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

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

Deferred income tax

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

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

2. Significant accounting policies continued

(j) Income tax continued

Deferred income tax continued

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred tax assets are only recognised to the extent that it is foreseeable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

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

(k) Sales tax

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

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

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

(l) Investment properties

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

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

Investment properties are derecognised when control of the asset is transferred to a third party.

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

The fair value of the Group's investment properties at 31 March 2019 has been arrived at on the basis of a valuation carried out at that date by Cushman & Wakefield LLP (2018: Cushman & Wakefield LLP), an independent valuer on the basis of highest and best use. The valuations are in accordance with standards complying with the Royal Institute of Chartered Surveyors' ("RICS's") approval and the conceptual framework that has been set by the International Valuation Standards Committee.

The valuation is based upon assumptions including future rental income, anticipated non-recoverable and maintenance costs, expected capital expenditure and an appropriate discount rate. The properties are valued on the basis of a discounted cash flow model using a range of ten to fourteen years supported by comparable evidence. The discounted cash flow calculation is a valuation of rental income considering non-recoverable costs and applying a discount rate for the current income risk over the measurement period. At the end of the period in which the cash flow is modelled, a determining residual value (exit scenario) is calculated. A capitalisation rate is applied to the more uncertain future income, discounted to present value. Each property is visited by the external valuer at least once every two years.

In the prior year, the Directors made discretionary impairment (devaluation) of non-core assets due to strong evidence existing to support an adjustment. In such circumstances the Audit Committee performed a review and satisfied itself the impairment could be fully substantiated and appropriately supported before a write-down was recognised in the Company's books and records. No such adjustment has been recorded in the current year.

(m) Disposals of investment property

Investment property disposals are recognised when control of the property transfers to the buyer, which typically occurs on the date of completion. Profit or loss arising on disposal of investment properties is calculated by reference to the most recent carrying value of the asset adjusted for subsequent capital expenditure.

(n) Assets held for sale and disposal groups

(i) Investment properties held for sale

Investment properties held for sale are separately disclosed at the asset's fair value. In order for an investment property held for sale to be recognised, the following conditions must be met:

- the asset must be available for immediate sale in its present condition and location;
- the asset is being actively marketed;
- the asset's sale is expected to be completed within twelve months of classification as held for sale;
- there must be no expectation that the plan for selling the asset will be withdrawn or changed significantly; and
- the successful sale of the asset must be highly probable.

2. Significant accounting policies continued

(n) Assets held for sale and disposal groups continued

(ii) Disposal groups

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of a disposal group, excluding finance costs and income tax expense.

The criteria for held-for-sale classification is regarded as met only when the sale is highly probable and the disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately in the statement of financial position.

Additional disclosures are provided in note 14.

(o) Plant and equipment

Recognition and measurement

Items of plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation

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

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

Plant and equipment	four to ten years
Fixtures and fittings	four years

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

(p) Intangible assets

The Group recognises only acquired intangible assets. These intangibles are valued at cost.

Intangible assets with a definite useful life are amortised on a straight-line basis over their respective useful lives. Their useful lives are between three and five years. Any amortisation of these assets is recognised as such under administrative expenses in the consolidated statement of comprehensive income.

Intangible assets with an indefinite useful life, particularly goodwill, are not amortised.

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

Goodwill is initially recognised at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is tested annually for impairment, or more frequently when there is an indication that the business to which the goodwill applies may be impaired.

(q) Trade and other receivables

Rent and service charge receivables and any contract assets do not contain significant financing component and are measured at the transaction price. Other receivables are initially measured at fair value plus transaction costs, using the expected credit loss model according to IFRS 9. The Group applies the simplified impairment model of IFRS 9 in order to determine expected credit losses in trade and other receivables, including lease incentives.

The Group assesses on a forward-looking basis the expected credit losses associated with its trade and other receivables. A provision for impairment is made for the lifetime expected credit losses on initial recognition of the receivable. If collection is expected in more than one year, the balance is presented within non-current assets.

In determining the expected credit losses the Group takes into account any recent payment behaviours and future expectations of likely default events (i.e. not making payment on the due date) based on individual customer credit ratings, actual or expected insolvencies and market expectations and trends in the wider macro-economic environment in which our customers operate.

Trade and other receivables are written off once all avenues to recover the balances are exhausted and the lease has ended.

(r) Treasury Shares

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

2. Significant accounting policies continued

(s) Share-based payments

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

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

(t) Cash and cash equivalents

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

(u) Bank borrowings

Interest-bearing bank loans and borrowings are initially recorded at fair value net of directly attributable transaction costs.

Subsequent to initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest rate method.

When debt refinancing exercises are carried out, existing liabilities will be treated as being extinguished when the new liability is substantially different from the existing liability. In making this assessment, the Group will consider the transaction as a whole, taking into account both qualitative and quantitative characteristics in order to make the assessment.

(v) Trade payables

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

(w) Equity instruments

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

(x) Dividends

Dividend distributions to the Company's shareholders are recognised as a liability in the consolidated financial information in the period in which the dividends are approved by the Company's Board. The final dividend relating to the year ended 31 March 2019 will be approved and recognised in the financial year ending 31 March 2020.

(y) Impairment excluding investment properties

(i) Financial assets

A financial asset (excluding financial assets at fair value through profit and loss) is assessed at each reporting date to determine whether there is any impairment. The Group recognises an allowance for expected credit losses (ECLs) for all receivables and contract assets held by the Group. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For rent and other trade receivables and any contract assets, the Group applies a simplified approach in calculating ECLs. The Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date (i.e. a loss allowance for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default). In determining the ECLs the Group takes into account any recent payment behaviours and future expectations of likely default events (i.e. not making payment on the due date) based on individual customer credit ratings, actual or expected insolvency filings or company voluntary arrangements and market expectations and trends in the wider macro-economic environment in which our customers operate.

Impairment losses are recognised in profit or loss of the statement of comprehensive income. Trade and other receivables are written off once all avenues to recover the balances are exhausted and the lease has ended.

(ii) Non-financial assets

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

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

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

2. Significant accounting policies continued

(z) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification, except for deferred tax assets and liabilities which are classified as non-current assets and liabilities. An asset is current when it is:

» expected to be realised or intended to be sold or consumed in the normal operating cycle;

» held primarily for the purpose of trading;

» expected to be realised within twelve months after the reporting period; or

» cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

» it is expected to be settled in the normal operating cycle;

» it is held primarily for the purpose of trading;

» it is due to be settled within twelve months after the reporting period; or

» there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

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

IFRS 16

IFRS 16 replaces existing leases guidance, including IAS 17 "Leases", IFRIC 4 "Determining Whether an Arrangement Contains a Lease", SIC-15" Operating Leases – Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16.

IFRS 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases of office buildings and leases for space relating to operating management contracts.

As at 31 March 2019, the Group's future minimum lease payments under non-cancellable operating leases are disclosed under note 27.

In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

As a lessee, the Group can either apply the standard using a:

» retrospective approach; or

» modified retrospective approach with optional practical expedients.

The Group plans to apply IFRS 16 initially on 1 April 2019, using the modified retrospective approach, and will apply the election consistently to all of its leases.

The Group has completed its assessment of the potential impact on its consolidated financial statements. The expected impact of the first-time adoption of IFRS 16 as of 1 April 2019 is approximately €24,000,000 which will be shown as a right of use of assets and a corresponding lease liability.

In addition, the IASB has published "Annual Improvements to IFRS Standards 2015-2017 Cycle" in December 2017 and has issued IFRIC 23 in June 2017, which will be applicable to financial years after 1 January 2019. Amendments to IFRS 3 have been published in October 2018, which will be applicable to financial years after 1 January 2020. The Group is not expecting material impact on its reporting methodology coming from those changes.

(ab) Non-IFRS measures

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). Note 11 to the financial statements includes a reconciliation of basic and diluted earnings to EPRA earnings.

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 and gain/loss on sale of properties net of related tax. Note 11 to the financial statements includes a reconciliation between IFRS and headline earnings.

2. Significant accounting policies continued

(ab) Non-IFRS measures continued

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 11 to the financial statements includes a reconciliation of adjusting items included within adjusted earnings, with those adjusting items stated within administrative expenses in note 6.

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 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.

3. Significant accounting judgements, estimates and assumptions

Judgements

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

Operating lease commitments – Group as lessor

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

Acquisition and disposal of properties

Property transactions can be complex in nature and material to the financial statements. To determine when an acquisition or disposal should be recognised, management consider whether the Group assumes or relinquishes control of the property, and the point at which this is obtained or relinquished. Consideration is given to the terms of the acquisition or disposal contracts and any conditions that must be satisfied before the contract is fulfilled. In the case of an acquisition, management must also consider whether the transaction represents an asset acquisition or business combination.

Estimates and assumptions

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

Valuation of investment properties (including those recognised within assets held for sale or a disposal group)

The fair value of the Group's investment properties was determined by Cushman & Wakefield LLP (2018: Cushman & Wakefield LLP), an independent valuer. After adjusting investment properties for lease incentive accounting, the book value of investment properties is shown as €972.9 million (31 March 2018: €913.8 million) as disclosed in note 13.

The Cushman & Wakefield LLP valuation is based upon assumptions including future rental income, anticipated maintenance costs and an appropriate discount rate. The properties are valued on the basis of a ten to fourteen year discounted cash flow model supported by comparable evidence. The discounted cash flow calculation is a valuation of rental income considering non-recoverable costs and applying a discount rate for the current income risk over a ten to fourteen year period. After ten to fourteen years, a determining residual value (exit scenario) is calculated. A capitalisation rate is applied to the more uncertain future income, discounted to a present value.

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

Assessment of uncertain tax positions

In the ordinary course of business, management make judgements and estimates in relation to the tax treatment of certain transactions in advance of the ultimate tax determination being certain. Where the amount of tax payable or recoverable is uncertain management use judgement in recording a corresponding payable or receivable.

Service charge

Service charge expenses are based on actual costs incurred and invoiced together with an estimate of costs to be invoiced in future periods. The estimates are based on expected consumption rates, historical trends and take into account market conditions at the time of recording.

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

4. Operating segments

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

5. Revenue

	Year ended 31 March 2019 €000	(Re-presented)[1] Year ended 31 March 2018 €000
Rental and other income from investment properties	**84,414**	71,782
Service charge income	**44,216**	41,561
Rental, service charge and other income from managed properties	**11,433**	10,307
Total revenue	**140,063**	123,650

(1) See note 2(b).

Other income relates primarily to income associated with conferencing and catering of €1,730,000 (2018: €1,571,000).

6. Operating profit

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

Direct costs

	Year ended 31 March 2019 €000	(Re-presented)[1] Year ended 31 March 2018 €000
Service charge costs	**51,250**	48,729
Costs relating to managed properties	**10,779**	9,950
Non-recoverable maintenance	**2,270**	1,899
Direct costs	**64,299**	60,578

(1) See note 2(b)

Gain on disposal of properties

Included within gain on disposal of properties of €611,000 (2018: loss of €2,502,000) are total proceeds of €27,425,000 (2018: €102,510,000) and property and professional costs of €26,814,000 (2018: €106,404,000).

Administrative expenses

	Year ended 31 March 2019 €000	Year ended 31 March 2018 €000
Audit fee	**389**	350
Legal and professional fees	**3,373**	2,431
Other administration costs	**1,881**	1,278
LTIP and SIP	**232**	4,310
Employee costs	**11,167**	11,069
Director fees and expenses	**447**	350
Depreciation	**1,373**	1,086
Marketing	**1,860**	1,745
Selling costs relating to assets held for sale	**—**	52
Non-recurring items	**209**	1,513
Administrative expenses	**20,931**	24,184

The following services have been provided by the Group's auditor:

	Year ended 31 March 2019 €000	Year ended 31 March 2018 €000
Audit fees:		
Audit of consolidated financial statements	**273**	266
Audit of subsidiary undertakings	**58**	50
Non-audit fees:		
Other assurance services	**58**	34
Total fees	**389**	350

6. Operating profit continued

Administrative expenses continued

Non-recurring items relate primarily to costs associated with the new venture with AXA IM – Real Assets, which is explained in more detail in note 14 (2018: potential legal claim and additional Main Market listing costs).

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

7. Employee costs and numbers

	Year ended 31 March 2019 €000	Year ended 31 March 2018 €000
Wages and salaries	**13,986**	16,355
Social security costs	**2,543**	2,927
Pension	**234**	204
Other employment costs	**51**	95
	16,814	19,581

The wages and salaries costs for the year ended 31 March 2019 include expenses of €232,000 (31 March 2018: €3,541,000) relating to the granting or award of shares under LTIPs (see note 8) and nil costs for the year ended 31 March 2019 relating to the previous LTIP award. 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 (Guernsey) Limited and Sirius Corporate Services B.V. The average number of people employed by the Group during the year was 241 (31 March 2018: 232), expressed in full-time equivalents. In addition, the Board of Directors consists of four Non-executive Directors (31 March 2018: four) and two Executive Directors (31 March 2018: two) as at 31 March 2019.

8. Employee schemes

Equity-settled share-based payments

2015 LTIP

The 2015 LTIP for the benefit of the Executive Directors and the Senior Management Team was approved in October 2015. The fair value determined at the grant date was expensed on a straight-line basis over the vesting and holding period, based on the Company's estimate of the shares that would eventually vest and adjusted for the effect of non-market-based vesting conditions. Under the LTIP, the awards were granted in the form of whole shares at no cost to the participants. Shares vested after the three year performance period and include a holding period of twelve months after vesting. The performance conditions used to determine the vesting of the award were based on net asset value and total shareholder return allowing vesting of 0% to a maximum of 125%. As a result, a maximum of 25,150,000 share awards were granted, subject to performance criteria, under the scheme in December 2015. A total of 1,300,000 shares were forfeited during the performance period by a participant who left the Group.

The 2015 LTIP vested on 2 July 2018 based on performance conditions assessed over the three years to 31 March 2018, and a separate assessment based on total shareholder return assessed up to the 20th business day after the announcement of the results for the year ended 31 March 2018. Vesting was at the maximum level for all participants resulting in the exercising of 17,356,106 shares in the year, including 432,106 that were surrendered by the scheme participants and re-allocated to employees of the Group to make them shareholders, and the forfeiting of 6,493,894 relating to partial settlement of certain participants' tax liabilities arising in respect of the vesting.

As the fair value determined at the grant date was expensed on a straight-line basis over the vesting period, an expense of €nil (31 March 2018: €3,541,000) was recognised in the statement of comprehensive income to 31 March 2019.

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

	Year ended 31 March 2019		Year ended 31 March 2018	
	Number of shares	**Weighted average exercise price €**	Number of shares	Weighted average exercise price €
Balance outstanding as at the beginning of the year (nil exercisable)	**23,850,000**	**—**	23,850,000	—
Maximum granted during the year	**—**	**—**	—	—
Shares surrendered to cover employee tax obligations	**(6,493,894)**	**—**	—	—
Exercised during the year	**(17,356,106)**	**—**	—	—
Balance outstanding as at the end of the year	**—**	**—**	23,850,000	—

8. Employee schemes continued

Equity-settled share-based payments continued

2015 LTIP continued

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

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

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

2018 LTIP

A new LTIP for the benefit of the Executive Directors and the Senior Management Team was approved on 5 December 2018. Awards granted under the 2018 LTIP are in the form of nil-cost options which vest after the three year performance period followed by a 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.

4,000,000 ordinary share awards and 700,000 outperformance share awards were granted under the scheme on 15 January 2019 with a total charge for the awards of €2,463,000 over three years. 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.

An expense of €232,000 was recognised in the consolidated statement of comprehensive income to 31 March 2019.

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 – €	0.66	0.66
Exercise price – €	nil	nil
Expected volatility – %	23.3	23.3
Performance projection period – years	2.21	2.08
Expected dividend yield – %	4.86	4.86
Risk free rate based on European treasury bonds rate of return – %	(0.63) p.a.	(0.63) p.a.
Expected outcome of performance conditions – %	100/67	44.7
Fair value per share – €	0.66	0.295

The weighted average fair value of a share granted under the ordinary award in the year was €0.54.

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.

2017 SIP

A share incentive plan ("SIP") for the benefit of senior employees of the Company was approved in May 2017. The fair value was based on the Company's estimate of the shares that will eventually vest. Under the SIP, the awards were granted in the form of whole shares at no cost to the participants. Shares vested after a one year performance period followed by a holding period of twelve months. The performance conditions used to determine the vesting of the award were based on the adjusted net asset value including dividends paid and allowed vesting of 100% or 0%. As a result, under the scheme in June 2017 a maximum of 1,065,000 shares were granted, subject to performance criteria, and an expense including related costs of €nil (31 March 2018: €769,000) was recognised in the consolidated statement of comprehensive income to 31 March 2019.

8. Employee schemes continued

Employee benefit scheme

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

	Year ended 31 March 2019 €000	Year ended 31 March 2018 €000
Charge relating to MSP	—	326
Charge relating to 2015 LTIP	—	2,617
Charge relating to 2018 LTIP	232	—
Charge relating to SIP	—	731
Value of shares withheld to settle employee tax obligations	(4,748)	—
Share-based payment transactions as per consolidated statement of changes in equity	**(4,516)**	3,674

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

	Year ended 31 March 2019 €000	Year ended 31 March 2018 €000
Bank interest income	75	13
Finance income	**75**	13
Bank loan interest expense	(7,643)	(6,721)
Bank charges	(185)	(145)
Amortisation of capitalised finance costs	(1,371)	(1,173)
Refinancing costs, exit fees and prepayment penalties	—	(2,207)
Finance expense	**(9,199)**	(10,246)
Change in fair value of derivative financial instruments	(1,495)	43
Net finance expense	**(10,619)**	(10,190)

The refinancing costs on derecognition of loans for the year ended 31 March 2018 of €2,207,000 related to the costs associated with the part repayment of tranche 1 of the Berlin Hyp AG/Deutsche Pfandbriefbank AG facility and full repayment of tranche 2 of the Berlin Hyp AG/Deutsche Pfandbriefbank AG facility following the sales of the Düsseldorf and Munich Rupert Mayer Strasse assets. No derecognition of loans has occurred in the current financial year.

The change in fair value of derivative financial instruments in amount of €1,495,000 (2018: €43,000) reflects the change in the mark to market valuation of these financial instruments.

10. Taxation

Consolidated statement of comprehensive income

	Year ended 31 March 2019 €000	Year ended 31 March 2018 €000
Current income tax		
Current income tax charge	(523)	(604)
Current income tax charge relating to disposals of investment properties	(170)	(1,921)
Accrual relating to tax treatment of swap break	151	(839)
Adjustments in respect of prior periods	501	—
Total current income tax	**(41)**	(3,364)
Deferred tax		
Relating to origination and reversal of temporary differences	(15,138)	(5,492)
Relating to LTIP charge for the year	(811)	571
Total deferred tax	**(15,949)**	(4,921)
Income tax charge reported in the statement of comprehensive income	**(15,990)**	(8,285)

10. Taxation continued

Consolidated statement of comprehensive income continued

The current income tax charge of €41,000 (31 March 2018: €3,364,000) reflects a release of tax accruals for prior years as well as the tax charge for the year. The effective income tax rate for the period differs from the standard rate of corporation tax in Germany of 15.825% (2018: 15.825%). The differences are explained below:

	Year ended 31 March 2019 €000	Year ended 31 March 2018 €000
Profit before tax	**144,712**	89,648
Profit before tax multiplied by the rate of corporation tax in Germany of 15.825% (2018: 15.825%)	**22,901**	14,187
Effects of:		
Deductible interest on internal financing	**(6,197)**	(5,573)
Non-deductible expenses	**(1,728)**	835
Tax losses utilised	**(882)**	(4,726)
Property valuation movements due to differences in accounting treatments	**1,796**	3,270
Adjustments in respect of prior periods	**(652)**	839
Other	**752**	(547)
Total income tax charge in the statement of comprehensive income	**15,990**	8,285

Deferred income tax liability

	31 March 2019 €000	31 March 2018 €000
Opening balance	**(26,485)**	(20,993)
Release due to disposals	**261**	4,883
Taxes on the revaluation of investment properties	**(15,399)**	(10,375)
Transferred to liabilities directly associated with assets held for sale	**10,745**	—
Balance as at year end	**(30,878)**	(26,485)

Deferred income tax asset

	31 March 2019 €000	31 March 2018 €000
Opening balance	**811**	240
Relating to LTIP charge for the year	**(811)**	571
Balance as at year end	**—**	811

The Group is mainly subject to taxation in Germany with the income from the Germany-located rental business with a tax rate of 15.825%. It has tax losses of €333,078,000 (2018: €261,763,000) that are available for offset against future profits of its subsidiaries in which the losses arose under the restrictions of the minimum taxation rule.

11. Earnings per share

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

	Year ended 31 March 2019 €000	Year ended 31 March 2018 €000
Earnings attributable to the owners of the Company		
Basic earnings	**128,657**	81,272
Diluted earnings	**128,657**	81,272
EPRA earnings	**44,995**	27,783
Diluted EPRA earnings	**44,995**	27,783
Headline earnings	**43,554**	27,755
Diluted headline earnings	**43,554**	27,755
Adjusted		
Basic earnings	**128,657**	81,272
Deduct revaluation surplus	**(99,887)**	(63,452)
Add loss/deduct gain on sale of properties	**(611)**	2,502
Tax in relation to the above	**15,362**	7,433
NCI relating to revaluation, net of related tax	**32**	–
NCI relating to gain on sale of properties, net of related tax	**1**	–
Headline earnings after tax	**43,554**	27,755
Add/(deduct) change in fair value of derivative financial instruments, net of related tax and NCI	**1,441**	(63)
Add adjusting items, net of related tax and NCI[(1)]	**1,101**	8,349
Adjusted earnings after tax	**46,096**	36,041
Number of shares		
Weighted average number of ordinary shares for the purpose of basic, headline, adjusted and basic EPRA earnings per share	**1,006,966,788**	914,479,339
Weighted average number of ordinary shares for the purpose of diluted earnings, diluted headline earnings, diluted adjusted earnings and diluted EPRA earnings per share	**1,011,666,788**	939,394,339
Basic earnings per share	**12.78c**	8.89c
Diluted earnings per share	**12.72c**	8.65c
Basic EPRA earnings per share	**4.47c**	3.04c
Diluted EPRA earnings per share	**4.45c**	2.96c
Headline earnings per share	**4.33c**	3.04c
Diluted headline earnings per share	**4.31c**	2.95c
Adjusted earnings per share	**4.58c**	3.94c
Adjusted diluted earnings per share	**4.56c**	3.84c

(1) See reconciliation between adjusting items as stated within earnings per share and those stated within administrative expenses in note 6 below.

	Notes	Year ended 31 March 2019 €000	Year ended 31 March 2018 €000
Non-recurring items	6	**209**	1,513
Finance restructuring costs	9	**–**	2,207
Selling costs relating to assets held for sale	6	**–**	52
LTIP and SIP	6	**232**	4,310
Change in deferred tax assets	10	**811**	(571)
Accrual relating to tax treatment of swap break	10	**(151)**	839
Adjusting items as per note 11		**1,101**	8,349

11. Earnings per share continued

EPRA earnings

	Year ended 31 March 2019 €000	Year ended 31 March 2018 €000
Basic and diluted earnings attributable to owners of the Company	**128,657**	81,272
Gain on revaluation of investment properties	**(99,887)**	(63,452)
(Gain)/loss on disposal of properties (including tax)	**(441)**	4,423
Change in fair value of derivative financial instruments	**1,495**	(43)
Deferred tax in respect of EPRA adjustments	**15,138**	5,492
NCI in respect of the above	**33**	91
EPRA earnings	**44,995**	27,783

For more information on EPRA earnings refer to Annex 1.

For the calculation of basic, headline, adjusted and diluted earnings per share, the number of shares has been reduced by nil shares (2018: 574,892 shares), which are held by the Company as Treasury Shares at 31 March 2019.

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

	2019	2018
Weighted average number of ordinary shares for the purpose of basic, basic EPRA, headline and adjusted earnings per share	**1,006,966,788**	914,479,339
Effect of grant of SIP shares	**—**	1,065,000
Effect of grant of LTIP shares	**4,700,000**	23,850,000
Weighted average number of ordinary shares for the purpose of diluted, diluted EPRA, diluted headline and adjusted diluted earnings per share	**1,011,666,788**	939,394,339

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 property revaluation, changes in fair value of derivative financial instruments, profits and losses on disposals and deferred tax in respect of EPRA adjustments.

12. Net asset value per share

	2019 €000	2018 €000
Net asset value		
Net asset value for the purpose of assets per share		
(assets attributable to the owners of the Company)	**725,808**	625,461
Deferred tax arising on revaluation gain, derivative financial instruments and LTIP valuation	**41,623**	25,674
Derivative financial instruments	**902**	298
Adjusted net asset value attributable to owners of the Company	**768,333**	651,433
Number of shares		
Number of ordinary shares for the purpose of net asset value per share	**1,022,140,875**	991,329,614
Number of ordinary shares for the purpose of EPRA net asset value per share	**1,026,840,875**	1,016,244,614
Net asset value per share	**71.01c**	63.09c
Adjusted net asset value per share	**75.17c**	65.71c
EPRA net asset value per share	**74.82c**	64.18c
Net asset value at the end of the year (basic)	**725,808**	625,461
Derivative financial instruments at fair value	**902**	298
Deferred tax in respect of EPRA adjustments	**41,623**	26,485
EPRA net asset value	**768,333**	652,244

For more information on adjusted net asset value and EPRA net asset value refer to Annex 1.

12. Net asset value per share continued

The number of ordinary shares for the purpose of EPRA net asset value per share is calculated as follows:

	2019	2018
Number of ordinary shares for the purpose of net asset value per share	1,022,140,875	991,329,614
Effect of grant of SIP shares	—	1,065,000
Effect of grant of LTIP shares	4,700,000	23,850,000
Number of ordinary shares for the purpose of EPRA net asset value per share	**1,026,840,875**	1,016,244,614

The number of shares has been reduced by nil shares (2018: 574,892 shares), which are held by the Company as Treasury Shares at 31 March 2019 for the calculation of net asset value and adjusted net asset value per share.

13. Investment properties

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

	2019 €000	2018 €000
Total investment properties at book value as at 1 April	913,843	727,295
Additions	101,663	127,799
Capital expenditure	27,127	20,662
Disposals	(10,032)	(8,040)
Reclassified as assets held for sale (note 14)	(159,620)	(17,325)
Gain on revaluation above capex	100,092	58,971
Adjustment in respect of lease incentives	(205)	(487)
Movement in Directors' impairment of non-core assets	—	4,968
Total investment properties at book value as at 31 March(1)	**972,868**	913,843

In the prior financial year the Group released a write-down of an asset in amount of €4,968,000, which was made as of 31 March 2017 based on challenging market conditions.

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

	2019 €000	2018 €000
Investment properties at market value per valuer's report(1)	975,991	917,340
Adjustment in respect of lease incentives	(3,122)	(3,497)
Total investment properties at book value as at 31 March(1)	**972,868**	913,843

(1) Excluding assets held for sale.

The fair value (market value) of the Group's investment properties at 31 March 2019 has been arrived at on the basis of a valuation carried out at that date by Cushman & Wakefield LLP (2018: Cushman & Wakefield LLP), an independent valuer accredited in terms of the RICS.

The value of each of the properties has been assessed in accordance with the RICS valuation standards on the basis of market value. See note 2(l) for further details.

The weighted average lease expiry remaining across the whole portfolio at 31 March 2019 was 2.8 years (2018: 2.6 years).

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

	Year ended 31 March 2019 €000	Year ended 31 March 2018 €000
Gain on revaluation above capex	100,092	58,971
Adjustment in respect of lease incentives	(205)	(487)
Movement in Directors' impairment of non-core assets	—	4,968
Gain on revaluation of investment properties reported in the statement of comprehensive income	**99,887**	63,452

Included in the gain on revaluation of investment properties reported in the statement of comprehensive income are gross gains of €105.0 million and gross losses of €5.1 million (31 March 2018: gross gains of €72.9 million and gross losses of €9.4 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.

13. Investment properties continued

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

As at 31 March 2019

Sector	Market value (€)	Technique	Significant assumption	Range
Traditional business park	593,620,000	Discounted cash flow	Current rental income	€315k–€6,197k
			Market rental income	€424k–€6,094k
			Gross initial yield	4.7%–10.0%
			Discount factor	4.4%–8.0%
			Void period (months)	12–24
			Estimated capital value per sqm	€301–€1,141
Modern business park	217,790,000	Discounted cash flow	Current rental income	€463k–€3,169k
			Market rental income	€478k–€3,574k
			Gross initial yield	5.4%–8.3%
			Discount factor	4.4%–7.3%
			Void period (months)	12–24
			Estimated capital value per sqm	€588–€1,568
Office	164,580,000	Discounted cash flow	Current rental income	€69k–€3,149k
			Market rental income	€512k–€3,509k
			Gross initial yield	0.8%–9.0%
			Discount factor	5.0%–7.8%
			Void period (months)	12–24
			Estimated capital value per sqm	€581–€1,349

As at 31 March 2018

Sector	Market value (€)	Technique	Significant assumption	Range
Traditional business park	580,110,000	Discounted cash flow	Current rental income	€190k–€5,858k
			Market rental income	€424k–€5,800k
			Gross initial yield	0.7%–14.9%
			Discount factor	5.8%–12.0%
			Void period (months)	12–24
			Estimated capital value per sqm	€67–€967
Modern business park	216,400,000	Discounted cash flow	Current rental income	€455k–€3,020k
			Market rental income	€478k–€3,469k
			Gross initial yield	4.2%–8.9%
			Discount factor	6.1%–8.5%
			Void period (months)	12–24
			Estimated capital value per sqm	€522–€1,426
Office	120,830,000	Discounted cash flow	Current rental income	€0k–€2,045k
			Market rental income	€537k–€2,135k
			Gross initial yield	0.0%–10.1%
			Discount factor	6.3%–8.1%
			Void period (months)	12–24
			Estimated capital value per sqm	€575–€1,290

The valuation for the full portfolio, including those assets disclosed within the disposal group, is performed on a lease-by-lease basis due to the mixed-use nature of the sites. This gives rise to large ranges in the inputs.

For example, an increase in market rental values of 5% would lead to an increase in the fair value of the investment properties of €57,580,000 and a decrease in market rental values of 5% would lead to a decrease in the fair value of the investment properties of €57,660,000. Similarly, an increase in the discount rates of 0.25% would lead to a decrease in the fair value of the investment properties of €23,480,000 and a decrease in the discount rates of 0.25% would lead to an increase in the fair value of the investment properties of €24,050,000.

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

14. Assets held for sale

Investment properties held for sale

	31 March 2019 €000	31 March 2018 €000
Bremen Brinkmann	–	15,500
Rostock land	–	1,200
Markgröningen residential	–	625
Balance as at year end	**–**	17,325

Disposal group

In March 2019, the Group entered into a contract to dispose of a 65% interest in certain subsidiaries controlled by the Group holding investments in five investment properties to AXA IM – Real Assets. As at 31 March 2019, a disposal has not been recognised as certain conditions of the sale have not been met. The transaction is expected to be complete in July 2019 at which point the Group will cease to control the subsidiaries. The remaining 35% interest will be accounted for as an Investment in associate. Accordingly, the assets and liabilities of the disposal group have been separately presented on the face of the balance sheet as required by IFRS 5.

The proceeds from the disposal group are expected to exceed the carrying value of the related net assets and accordingly no impairment losses have been recognised on the classification of the disposal group as held for sale.

The major classes of the assets and liabilities comprising the disposal group classified as held for sale at 31 March 2019 are as follows:

	31 March 2019 €000
Assets	
Investment properties	**159,620**
Trade and other receivables	**1,075**
Cash and cash equivalents	**3,940**
Assets held for sale	**164,635**
Current liabilities	
Trade and other payables	**(3,659)**
Interest-bearing loans and borrowings(1)	**(917)**
Current tax liabilities	**(15)**
Total current liabilities	**(4,591)**
Non-current liabilities	
Interest-bearing loans and borrowings(2)	**(47,706)**
Deferred tax liabilities	**(10,745)**
Total non-current liabilities	**(58,451)**
Liabilities directly associated with assets held for sale	**(63,042)**
Net assets of the disposal group	**101,593**

(1) Including capitalised finance charges in amount of €260,000.

(2) Including capitalised finance charges in amount of €681,000.

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

	31 March 2019 €000
Investment properties at market value per valuer's report	**160,200**
Adjustment in respect of lease incentives	**(580)**
Total investment properties at book value as at 31 March	**159,620**

14. Assets held for sale continued

Disposal group continued

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

Sector	Market value (€)	Technique	Significant assumption	Range
Traditional business park	125,300,000	Discounted cash flow	Current rental income	€1,405k–€3,244k
			Market rental income	€1,372k–€3,485k
			Gross initial yield	5.6%–6.8%
			Discount factor	4.4%–4.8%
			Void period (months)	12–24
			Estimated capital value per sqm	€629–€1,094
Modern business park	34,900,000	Discounted cash flow	Current rental income	€2,581k–€2,581k
			Market rental income	€2,434k–€2,434k
			Gross initial yield	7.2%–7.2%
			Discount factor	4.8%–4.8%
			Void period (months)	12–24
			Estimated capital value per sqm	€1,250–€1,250

15. Plant and equipment

	Plant and equipment €000	Fixtures and fittings €000	Total €000
Cost			
As at 31 March 2018	6,894	3,545	10,439
Additions in year	1,061	628	1,689
Disposals in year	(17)	(16)	(33)
As at 31 March 2019	**7,938**	**4,157**	**12,095**
Depreciation			
As at 31 March 2018	(5,286)	(2,027)	(7,313)
Charge for year	(770)	(603)	(1,373)
Disposals in year	14	15	29
As at 31 March 2019	**(6,042)**	**(2,615)**	**(8,657)**
Net book value as at 31 March 2019	**1,896**	**1,542**	**3,438**
Cost			
As at 31 March 2017	6,013	2,826	8,839
Additions in year	896	753	1,649
Disposals in year	(15)	(34)	(49)
As at 31 March 2018	6,894	3,545	10,439
Depreciation			
As at 31 March 2017	(4,520)	(1,755)	(6,275)
Charge for year	(780)	(306)	(1,086)
Disposals in year	14	34	48
As at 31 March 2018	(5,286)	(2,027)	(7,313)
Net book value as at 31 March 2018	1,608	1,518	3,126

16. Goodwill

	2019 €000	2018 €000
Opening balance	**3,738**	3,738
Closing balance	**3,738**	3,738

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

Goodwill is tested at least annually for impairment and whenever there are indications that goodwill might be impaired. The recoverable amount of a cash-generating unit is based on its value in use. Value in use is the present value of the projected cash flows of the cash-generating unit. The key assumptions regarding the value-in-use calculations were budgeted growth in revenue and the discount rate applied. Budgeted profit margins were estimated based on actual performance over the past two financial years and expected market changes. The discount rate used is a pre-tax rate and reflects the risks specific to the real estate industry. The Group prepares cash flow forecasts based on the most recent financial budget approved by management, which covers a one year period. Cash flows beyond this period are extrapolated to a period of five years using a revenue growth rate of 2.0% (2018: 2.0%), which is consistent with the long-term average growth rate for the real estate sector. A discount rate of 7.24% (2018: 7.05%) and terminal value of 5.24% (2018: 5.05%) was applied in the impairment review. A discount rate of 8.80% (2018: 8.30%) would be required for the carrying value of goodwill to be greater than the fair value. A negative revenue growth rate of 0.47% (2018: 0.77%) would be required for the carrying value of goodwill to be greater than the fair value.

17. Trade and other receivables

	2019 €000	Re-presented[1] Year ended 31 March 2018 €000
Trade receivables	**4,747**	3,899
Other receivables	**4,678**	3,773
Prepayments	**1,403**	35,641
Balance as at year end	**10,828**	43,313

(1) See note 2(b).

Other receivables include lease incentives of €3,122,000 (2018: €3,497,000).

Prepayments include amounts totalling €410,000 (2018: €34,585,000) relating to the acquisition of an asset that completed post year end (see note 30).

18. Cash and cash equivalents

	2019 €000	2018 €000
Cash at bank	**15,954**	64,414
Restricted cash	**20,388**	15,191
Balance as at year end	**36,342**	79,605

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash as at 31 March 2019 is €36,342,000 (2018: €79,605,000).

As at 31 March 2019, €20,388,000 (2018: €15,191,000) of cash is held in restricted accounts. €9,227,000 (2018: €8,256,000) relates to deposits received from tenants. An amount of €nil (2018: €16,000) is cash held in escrow as requested by a supplier and €131,000 (2018: €131,000) is held in restricted accounts for office rent deposits. An amount of €2,227,000 (2018: €3,344,000) relates to amounts reserved for future bank loan interest and amortisation payments, pursuant to certain of the Group's banking facilities. An amount of €1,520,000 (2018: €3,268,000) relates to amounts reserved for future capital expenditure. An amount of €983,000 (2018: €176,000) relates to amounts reserved for future debt servicing, pursuant to certain of the Group's banking facilities and an amount of €6,300,000 (2018: €nil) relates to disposal proceeds retained as security.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 March 2019:

	2019 €000	2018 €000
Cash at bank	**15,954**	64,414
Restricted cash	**20,388**	15,191
Cash at bank and restricted cash attributable to the disposal group	**3,940**	–
Balance as at year end	**40,282**	79,605

19. Trade and other payables

	2019 €000	2018 €000
Trade payables	**4,903**	6,381
Accrued expenses	**15,510**	14,453
Interest and amortisation payable	**1,913**	2,031
Tenant deposits	**9,227**	8,737
Unearned revenue	**3,682**	3,475
Other payables	**5,520**	5,895
Balance as at year end	**40,755**	40,972

Accrued expenses include costs totalling €5,465,000 (2018: €5,626,000) relating to service charge costs that have not been invoiced to the Group.

Unearned revenue include service charge amounts. All unearned revenue of the prior year was recognised as revenue in the current year.

20. Interest-bearing loans and borrowings

	Interest rate %	Loan maturity date	2019 €000	2018 €000
Current				
Deutsche Genossenschafts-Hypothekenbank AG				
– fixed rate facility*	1.59	31 March 2021	**–**	320
Bayerische Landesbank				
– hedged floating rate facility	Hedged(1)	19 October 2020	**508**	508
SEB AG				
– fixed rate facility	1.84	1 September 2022	**1,180**	1,180
– hedged floating rate facility	Hedged(2)	30 October 2024	**459**	229
– capped floating rate facility	Capped(3)	25 March 2025	**760**	760
Berlin Hyp AG/Deutsche Pfandbriefbank AG				
– fixed rate facility*	1.66	27 April 2023	**2,278**	2,551
Berlin Hyp AG				
– fixed rate facility*	1.48	29 October 2023	**1,826**	1,799
K-Bonds I				
– fixed rate facility*	6.00	31 July 2020	**460**	1,000
Saarbrücken Sparkasse				
– fixed rate facility	1.53	28 February 2025	**737**	726
Deutsche Pfandbriefbank AG				
– hedged floating rate facility	Hedged(4)	31 December 2023	**432**	–
– floating rate facility	Floating(5)	31 December 2023	**10**	–
Capitalised finance charges on all loans			**(1,242)**	(1,229)
			7,408	7,844
Non-current				
Deutsche Genossenschafts-Hypothekenbank AG				
– fixed rate facility*	1.59	31 March 2021	**–**	14,040
Bayerische Landesbank				
– hedged floating rate facility	Hedged(1)	19 October 2020	**23,098**	23,606
SEB AG				
– fixed rate facility	1.84	1 September 2022	**53,690**	54,870
– hedged floating rate facility	Hedged(2)	30 October 2024	**22,242**	22,701
– capped floating rate facility	Capped(3)	25 March 2025	**36,480**	37,240
Berlin Hyp AG/Deutsche Pfandbriefbank AG				
– fixed rate facility*	1.66	27 April 2023	**69,149**	81,554
Berlin Hyp AG				
– fixed rate facility	1.48	29 October 2023	**63,871**	65,697
K-Bonds I				
– fixed rate facility*	4.00	31 July 2023	**20,685**	45,000
– fixed rate facility*	6.00	31 July 2020	**460**	2,000
Saarbrücken Sparkasse				

20. Interest-bearing loans and borrowings continued

	Interest rate %	Loan maturity date	2019 €000	2018 €000
– fixed rate facility	1.53	28 February 2025	**16,537**	17,274
Deutsche Pfandbriefbank AG				
– hedged floating rate facility	Hedged(4)	31 December 2023	**21,178**	–
– floating rate facility	Floating(5)	31 December 2023	**494**	–
Capitalised finance charges on all loans			**(3,831)**	(4,748)
			324,053	359,234
Total			**331,461**	367,078

(1) This facility is hedged with a swap charged at a rate of 1.66%.

(2) Tranche 1 of this facility is fully hedged with a swap charged at a rate of 2.58%; tranche 2 of this facility is fully hedged with a swap charged at a rate of 2.56%.

(3) This facility is hedged with a cap rate at 0.75% and charged with a floating rate of 1.58% over six month EURIBOR (not less than 0%) for the full term of the loan.

(4) Tranche 1 of this facility is fully hedged with a swap charged at a rate of 1.40%.

(5) Tranche 3 of this facility is charged with a floating rate of 1.2% over three month EURIBOR (not less than 0%) for the full term of the loan.

* This facility has been removed or partially removed into the disposal group (see note 14).

The borrowings are repayable as follows:

	2019 €000	2018 €000
On demand or within one year	**8,650**	9,073
In the second year	**31,310**	9,383
In the third to tenth years inclusive	**296,574**	354,599
Total	**336,534**	373,055

The Group has pledged 48 (2018: 44) investment properties (including those investment properties disclosed within the disposal group) to secure several separate interest-bearing debt facilities granted to the Group. The 48 (2018: 44) properties had a combined valuation of €1,080,819,000 as at 31 March 2019 (2018: €872,408,000).

Deutsche Genossenschafts-Hypothekenbank AG

On 24 March 2016, the Group agreed to a facility agreement with Deutsche Genossenschafts-Hypothekenbank AG for €16.0 million. As at 31 March 2017, tranche 1 had been drawn down totalling €15.0 million. The loan terminates on 31 March 2021. Amortisation is 2% per annum with the remainder of the loan due in the fifth year. The facility is charged at a fixed interest rate of 1.59%. The facility is secured over one property asset and is subject to various covenants with which the Group has complied. No changes have occurred during the twelve month period ended 31 March 2019.

This loan, amounting to €14.0 million, is included within the disposal group detailed in note 14 and included within liabilities directly associated with assets held for sale in the consolidated statement of financial position.

Bayerische Landesbank

On 20 October 2015, the Group agreed to a facility agreement with Bayerische Landesbank for €25.4 million. The loan terminates on 19 October 2020. Amortisation is 2% per annum with the remainder due in the fifth year. The full facility has been hedged at a rate of 1.66% until 19 October 2020 by way of an interest rate swap. The facility is secured over four property assets and is subject to various covenants with which the Group has complied. No changes have occurred during the twelve month period ended 31 March 2019.

SEB AG

On 2 September 2015, the Group agreed to a facility agreement with SEB AG for €59.0 million to refinance the two existing Macquarie loan facilities. The loan terminates on 1 September 2022. Amortisation is 2% per annum with the remainder due in the seventh year. The loan facility is charged at a fixed interest rate of 1.84%. This facility is secured over eleven of the fourteen property assets previously financed through the Macquarie loan facilities. The facility is subject to various covenants with which the Group has complied. No changes have occurred during the twelve month period ended 31 March 2019. On 30 October 2017, the Group agreed to a second facility agreement with SEB AG for €22.9 million. Tranche 1, totalling €20.0 million, has been hedged at a rate of 2.58% until 30 October 2024 by way of an interest rate swap. Tranche 2, totalling €2.9 million, has been hedged at a rate of 2.56% until 30 October 2024 by way of an interest rate swap. The loan terminates on 30 October 2024. Amortisation is 2.0% per annum across the full facility with the remainder due in one instalment on the final maturity date. The facility is secured over three property assets and is subject to various covenants with which the Group has complied. No changes have occurred during the twelve month period ended 31 March 2019.

20. Interest-bearing loans and borrowings continued

SEB AG continued

On 26 March 2018, the Group agreed to a third facility agreement with SEB AG for €38.0 million. The loan terminates on 25 March 2025. Amortisation is 2% per annum with the remainder due in one instalment on the final maturity date. The loan facility is charged with a floating rate of 1.58% over six month EURIBOR (not less than 0%) for the full term of the loan. In accordance with the requirements of the loan facility, the Group hedged its exposure to floating interest rates by purchasing a cap in June 2018 which limits the Group's interest rate exposure on the facility to 2.33%. The facility is secured over six property assets and is subject to various covenants with which the Group has complied.

Berlin Hyp AG/Deutsche Pfandbriefbank AG

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

On 30 June 2017, the Group repaid a total of €5.8 million from tranche 1 following the disposal of the Düsseldorf asset. On 30 September 2017, the Group repaid tranche 2 of the loan in full amounting to €40.9 million following the disposal of the Munich Rupert Mayer Strasse asset. The facility comprising only tranche 1 is now secured over nine property assets. No changes have occurred during the twelve month period ended 31 March 2019.

A total of €10.1 million of this loan is included within the disposal group detailed in note 14 and included within liabilities directly associated with assets held for sale in the consolidated statement of financial position.

Berlin Hyp AG

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

On 20 October 2016, the Group concluded an agreement with Berlin Hyp AG to refinance and extend this facility which had an outstanding balance of €39.2 million at 30 September 2016. The new facility totals €70.0 million and terminates on 29 October 2023. Amortisation is 2.5% per annum with the remainder due at maturity. The facility is charged with an all-in fixed interest rate of 1.48% for the full term of the loan. The facility is secured over six property assets. The loan is subject to various covenants with which the Group has complied. No changes have occurred during the twelve month period ended 31 March 2019.

K-Bonds

On 1 August 2013, the Group agreed to a facility agreement with K-Bonds for €52.0 million. The loan consists of a senior tranche of €45.0 million and a junior tranche of €7.0 million. The senior tranche has a fixed interest rate of 4% per annum and is due in one sum on 31 July 2023. The junior tranche has a fixed interest rate of 6% and terminates on 31 July 2020. The junior tranche is amortised at €1.0 million per annum over a seven year period. This facility is secured over three properties and is subject to various covenants with which the Group has complied. No changes have occurred during the twelve month period ended 31 March 2019.

A total of €25.4 million of the loan is included within the disposal group detailed in note 14 and included within liabilities directly associated with assets held for sale in the consolidated statement of financial position.

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 have occurred during the twelve month period ended 31 March 2019.

20. Interest-bearing loans and borrowings continued

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 draw down of tranche 3 totalling €0.5 million is charged with a floating rate of 1.20% over three month EURIBOR (not less than 0%) until 31 December 2023 and requires a hedging instrument to be put in place in order to fix the rate before the end of 30 June 2019. The loan terminates on 31 December 2023. Amortisation is 2% per annum with the remainder due in one instalment on the final maturity date. This facility is secured over four property assets and is subject to various covenants with which the Group has complied.

A summary of the Group's debt covenants, including those disclosed in the disposal group, is set out below:

	Outstanding at 31 March 2019 €000	Property values at 31 March 2019 €000	Loan to value ratio at 31 March 2019(1)	Required loan to value covenant at 31 March 2019	Interest cover ratio at 31 March 2019(2)	Debt service cover ratio at 31 March 2019(2)	Debt yield ratio at 31 March 2019(2)	Cover ratio covenant at 31 March 2019
Deutsche Genossenschafts-Hypothekenbank AG	**14,040**	**34,861**	**40.3%**	**68.0%**	**n/a**	**2.03**	**n/a**	**1.25**
Bayerische Landesbank	**23,606**	**74,196**	**31.8%**	**65.0%**	**n/a**	**4.73**	**n/a**	**2.50**
SEB AG	**54,870**	**142,612**	**38.5%**	**55.0%**	**7.52**	**n/a**	**n/a**	**5.90**
SEB AG II	**22,701**	**47,461**	**47.8%**	**61.5%**	**n/a**	**n/a**	**8.0%**	**1.90**
SEB AG III	**37,240**	**80,277**	**46.4%**	**60.0%**	**n/a**	**n/a**	**11.5%**	**7.50**
Berlin Hyp AG/Deutsche Pfandbriefbank AG	**81,554**	**307,936**	**26.5%**	**62.5%**	**n/a**	**3.46**	**n/a**	**1.50**
Berlin Hyp AG	**65,697**	**173,485**	**37.9%**	**65.0%**	**n/a**	**3.59**	**n/a**	**1.40**
K-Bonds I	**47,000**	**126,723**	**37.1%**	**n/a**	**4.98**	**n/a**	**n/a**	**2.50**
Saarbrücken Sparkasse	**17,274**	**29,100**	**59.4%**	**n/a**	**n/a**	**2.52**	**n/a**	**2.00**
Deutsche Pfandbriefbank AG	**22,114**	**64,168**	**34.5%**	**60%**	**n/a**	**n/a**	**10.15**	**6.50**
Unencumbered properties	**—**	**51,669**	**n/a**					
Total	**386,096**	**1,132,488**	**34.1%**					

(1) Based on Cushman & Wakefield LLP valuations adjusted in respect of lease incentives.

(2) Based on contractual calculations which are often less representative of actual trading performance.

20. Interest-bearing loans and borrowings continued

Deutsche Pfandbriefbank AG continued

Reconciliation of movements of liabilities arising from financing activities:

	Liabilities		Derivatives held to hedge long-term borrowings	
	Loans and borrowings	Other liabilities	Interest rate swap used for hedging liabilities	Total
As at 31 March 2017	341,792	509	341	342,642
Changes from financing cash flow				
Proceeds from loans and borrowings	78,930	–	–	78,930
Repayment of loans	(53,551)	–	–	(53,551)
Transaction cost related to loans and borrowings	–	–	–	–
Exit fees/prepayment penalties	–	(1,348)	–	(1,348)
Interest paid	–	(7,451)	–	(7,451)
Total cash movements	25,379	(8,799)	–	16,580
Changes in fair value	–	–	(43)	(43)
Accrued amortisation and interest	(903)	10,322	–	9,419
Transaction cost related to loans and borrowings	810	–	–	810
Reclassified as part of disposal group	–	–	–	–
Total non-cash movements	(93)	10,322	(43)	10,186
Changes from financing cash flow				
Proceeds from loans and borrowings	22,114	–	–	22,114
Repayment of loans	(8,135)	(927)	–	(9,062)
Transaction cost related to loans and borrowings	(1,406)	–	–	(1,406)
Exit fees/prepayment penalties	–	–	–	–
Interest paid	–	(7,411)	–	(7,411)
Total cash movements	12,573	(8,338)	–	4,235
Changes in fair value	–	–	854	854
Accrued amortisation and interest	(856)	8,025	–	7,169
Transaction cost related to loans and borrowings	1,369	–	–	1,369
Reclassified as part of disposal group	(48,703)	(382)	–	(49,085)
Total non-cash movements	(48,190)	7,643	854	(39,693)
As at 31 March 2019	**331,461**	**1,337**	**1,152**	**333,950**

21. Financial risk management objectives and policies

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

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

Credit risk

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

21. Financial risk management objectives and policies continued

Credit risk continued

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

	2019 €000	2018 €000
Trade receivables	**4,747**	3,899
Other receivables	**3,368**	2,026
Derivative financial instruments	**250**	—
Cash and cash equivalents	**36,342**	79,605
	44,707	85,530

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

	Gross 2019 €000	Impairment 2019 €000	Gross 2018 €000	Impairment 2018 €000
0–30 days	**5,521**	**(1,467)**	5,238	(1,984)
31–120 days (past due)	**513**	**(327)**	437	(298)
More than 120 days	**2,235**	**(1,728)**	2,702	(2,196)
	8,269	**(3,522)**	8,377	(4,478)

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

	2019 €000	2018 €000
Balance at 1 April	**(4,478)**	(4,142)
Impairment loss released/(recognised)	**956**	(336)
Balance at 31 March	**(3,522)**	(4,478)

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

Most trade receivables are generally due one month in advance. The exception is service charge balancing billing, which is due ten days after it has been invoiced. Included in the Group's trade receivables are debtors with carrying amounts of €4,747,000 (2018: €3,899,000) that are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

No impairment has been recognised relating to non-current receivables in the period.

Liquidity risk

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

21. Financial risk management objectives and policies continued

Liquidity risk continued

The table below summarises the maturity profile of the Group's financial liabilities as at 31 March 2019, based on contractual undiscounted payments:

Year ended 31 March 2019	Bank and shareholder loans €000	Derivative financial instruments €000	Trade and other payables €000	Total €000
Undiscounted amounts payable in:				
6 months or less	**(7,641)**	**(157)**	**(19,241)**	**(27,039)**
6 months to 1 year	**(7,157)**	**(156)**	**—**	**(7,313)**
1–2 years	**(37,117)**	**(239)**	**—**	**(37,356)**
2–5 years	**(241,852)**	**(451)**	**—**	**(242,303)**
5–10 years	**(68,339)**	**(84)**	**—**	**(68,423)**
	(362,106)	**(1,087)**	**(19,241)**	**(382,434)**
Interest	**25,572**	**1,087**	**—**	**26,659**
	(336,534)	**—**	**(19,241)**	**(355,775)**

Year ended 31 March 2018	Bank and shareholder loans €000	Derivative financial instruments €000	Trade and other payables €000	Total €000
Undiscounted amounts payable in:				
6 months or less	(8,659)	(165)	(40,972)	(49,796)
6 months to 1 year	(7,851)	(163)	—	(8,014)
1–2 years	(16,627)	(323)	—	(16,950)
2–5 years	(129,888)	(549)	—	(130,437)
5–10 years	(246,970)	(231)	—	(247,201)
	(409,995)	(1,431)	(40,972)	(452,398)
Interest	36,940	1,431	—	38,371
	(373,055)	—	(40,972)	(414,027)

Currency risk

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

Interest rate risk

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

A change in interest will only have an impact on the floating loans capped due to the fact that the other loans have a general fixed interest rate or they are effectively fixed by a swap. An increase in 100bps in interest rate would result in a decreased post-tax profit in the consolidated statement of comprehensive income of €290,000 (excluding the movement on derivative financial instruments) and a decrease in 100bps in interest rate would result in an increased post-tax profit in the consolidated statement of comprehensive income of €290,000 (excluding the movement on derivative financial instruments).

Market risk

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

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

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

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

21. Financial risk management objectives and policies continued

Capital management

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

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

The Company holds none of its own shares as Treasury Shares. During the year to 31 March 2019, 574,892 shares were issued from treasury and no shares were bought back.

The Group monitors capital using a gross debt to property assets ratio, which was 34.1% including investment properties held for sale and corresponding interest-bearing loans and borrowings as at 31 March 2019 (2018: 40.1%).

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

22. Financial instruments

Fair values

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments that are carried in the financial statements (excluding assets held for sale and liabilities directly associated with assets held for sale):

		2019		2018	
	Fair value hierarchy level	Carrying amount €000	Fair value €000	Carrying amount €000	Fair value €000
Financial assets					
Cash	1	**36,342**	**36,342**	79,605	79,605
Trade and other receivables	2	**8,115**	**8,115**	5,925	5,925
Derivative financial instruments	2	**250**	**250**	–	–
Financial liabilities					
Trade and other payables	2	**19,241**	**19,241**	19,803	19,803
Derivative financial instruments	2	**1,152**	**1,152**	298	298
Interest-bearing loans and borrowings(1)					
Floating rate borrowings	2	**504**	**504**	38,000	38,000
Floating rate borrowings – hedged(2)	2	**67,917**	**67,917**	47,044	47,044
Floating rate borrowings – capped(2)	2	**37,240**	**37,240**	–	–
Fixed rate borrowings	2	**230,873**	**232,515**	288,011	293,547

(1) Excludes loan issue costs.

(2) The Group holds interest rate swap contracts and a cap contract designed to manage the interest rate and liquidity risks of expected cash flows of its borrowings with the variable rate facilities with Bayerische Landesbank, SEB AG and Deutsche Pfandbriefbank AG. Please refer to note 20 for details of swap and cap contracts.

Fair value hierarchy

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

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

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

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

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

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

22. Financial instruments continued

Interest rate risk

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

2019	Within 1 year €000	1–2 years €000	2–3 years €000	3–4 years €000	4+ years €000	Total €000
SEB AG	**(760)**	**(760)**	**(760)**	**(760)**	**(34,200)**	**(37,240)**
Deutsche Pfandbriefbank AG	**(10)**	**(10)**	**(10)**	**(10)**	**(464)**	**(504)**

2018	Within 1 year €000	1–2 years €000	2–3 years €000	3–4 years €000	4+ years €000	Total €000
SEB AG	(760)	(760)	(760)	(760)	(34,960)	(38,000)

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

23. Issued share capital

Authorised	Number of shares	Share capital €
Ordinary shares of no par value	Unlimited	–
As at 31 March 2019 and 31 March 2018	**Unlimited**	**–**

The number of ordinary shares of no par value as at 31 March 2019 was unlimited.

Issued and fully paid	Number of shares	Share capital €
As at 31 March 2017	877,786,535	–
Issued ordinary shares	113,055,913	–
Issued Treasury Shares	487,166	–
As at 31 March 2018	991,329,614	–
Issued ordinary shares	30,236,369	–
Issued Treasury Shares	574,892	–
As at 31 March 2019	**1,022,140,875**	**–**

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.

On 9 July 2018, the Company issued 14,804,000 ordinary shares to the Company's two Executive Directors and some of the Group's Senior Management Team, pursuant to the Company's LTIP. This resulted in the Company's overall issued share capital being 1,006,708,506 ordinary shares, of which 574,892 were held in treasury. The total number of ordinary shares with voting rights in the Company at this date was 1,006,133,614.

Pursuant to a scrip dividend offering on 17 August 2018, the Company issued 3,288,212 ordinary shares at an issue price of £0.6499 resulting in the Company's overall issued share capital being 1,009,996,718 ordinary shares, of which 574,892 were held in treasury. The total number of ordinary shares with voting rights in the Company at this date was 1,009,421,826.

On 7 January 2019, the Company issued 1,545,108 ordinary shares to one of the Company's Executive Directors, pursuant to the Company's LTIP. The 574,892 shares that were held in treasury were used to supplement this issue and are no longer held by the Company. This resulted in the Company's overall issued share capital being 1,011,541,826 ordinary shares. The total number of ordinary shares with voting rights in the Company at this date was 1,011,541,826.

Pursuant to a scrip dividend offering on 18 January 2019, the Company issued 9,537,983 ordinary shares at an issue price of £0.6585 resulting in the Company's overall issued share capital being 1,021,079,809 ordinary shares. There are no shares held in treasury. The total number of ordinary shares with voting rights in the Company at this date was 1,021,079,809.

On 11 March 2019, the Company issued 1,061,066 ordinary shares to 106 participants, pursuant to the Company's LTIP and SIP. This resulted in the Company's overall issued share capital being 1,022,140,875. The total number of ordinary shares with voting rights in the Company at this date was 1,022,140,875.

The Company holds none of its own shares in treasury (2018: 574,892). During the year, 574,892 shares were issued from treasury (2018: 487,166).

All shares issued in the period were issued under general authority. No shares were bought back in the year.

24. Other reserves

Other distributable reserve

The other distributable reserve was created for the payment of dividends, share-based payment transactions and the buyback of shares and is €491,016,000 in total at 31 March 2019 (2018: €519,320,000).

25. Dividends

On 4 June 2018, the Company announced a dividend of 1.60c per share, with a record date of 13 July 2018 for UK and South African shareholders and payable on 17 August 2018. On the record date, 1,006,708,506 shares were in issue, of which 574,892 were held in treasury and 1,006,133,614 were entitled to participate in the dividend. Holders of 150,721,277 shares elected to receive the dividend in ordinary shares under the Scrip Dividend Alternative, representing a dividend of €2,412,000, while holders of 854,937,248 shares opted for a cash dividend with a value of €13,587,000. The Company's Employee Benefit Trust waived its rights to the dividend, reducing the cash payable to €13,579,000. The total dividend was €15,991,000.

On 19 November 2018, the Company announced a dividend of 1.63c per share, with a record date of 14 December 2018 for UK and South African shareholders and payable on 18 January 2019. On the record date, 1,011,541,826 shares were in issue. Since there were no shares held in treasury, 1,011,541,826 shares were entitled to participate in the dividend. Holders of 385,359,335 shares elected to receive the dividend in ordinary shares under the Scrip Dividend Alternative, representing a dividend of €6,281,000, while holders of 626,182,491 shares opted for a cash dividend with a value of €10,207,000. The Company's Employee Benefit Trust waived its rights to the dividend, reducing the cash payable to €10,185,000. The total dividend was €16,466,000.

The Group's profit attributable to the equity holders of the Company for the year was €128.7 million (2018: €81.3 million). The Board has declared a final dividend of 1.73c per share for the year ended 31 March 2019, representing a pay-out ratio of 70% of FFO(1). It is expected that for the period's final dividend, the ex-dividend date will be on 10 July 2019 for shareholders on the South African register and 11 July 2019 for shareholders on the UK register. It is further expected that the record date will be on 12 July 2019 for shareholders on the South African and UK registers and the dividend will be paid on 22 August 2019 for shareholders on both registers.

The dividend paid per the statement of changes in equity is the value of the cash dividend.

(1) Adjusted profit before tax adjusted for depreciation, amortisation of financing fees and current tax receivable/incurred and tax relating to disposals.

The dividend per share was calculated as follows:

	31 March 2019 €m	31 March 2018 €m
Reported profit before tax	**144.7**	89.6
Adjustments for:		
Gain on revaluation of investment properties	**(99.9)**	(63.5)
(Gain)/loss of disposals of properties	**(0.6)**	2.5
Other adjusting items(1)	**0.4**	8.1
Change in fair value of financial derivatives	**1.5**	–
Adjusted profit before tax	**46.1**	36.7
Adjustments for:		
Depreciation	**1.4**	1.1
Amortisation of financing fees	**1.4**	1.2
Current taxes incurred (see note 10)	**–**	(3.4)
Add back current tax relating to disposals and prior year adjustments	**(0.5)**	2.8
Funds from operations, year ended 31 March	**48.4**	38.4
Funds from operations, 6 months ended 30 September	**23.3**	18.5
Funds from operations, 6 months ended 31 March	**25.1**	19.9
Dividend pool, 6 months ended 30 September	**16.5**	14.4
Dividend pool, 6 months ended 31 March(2)	**17.7**	15.9
Dividend per share, 6 months ended 30 September	**1.63c**	1.56c
Dividend per share, 6 months ended 31 March	**1.73c**	1.60c

(1) Includes the net effect of management LTIP awards and expected costs associated with the disposal group. See note 11 for details.

(2) Calculated as 70% of FFO of 2.47c per share (31 March 2018: 2.13c per share using 75% of FFO) based on average number of shares outstanding of 1,014,348,392 (31 March 2018: 930,142,690).

For more information on adjusted profit before tax and funds from operations refer to Annex 1.

26. Related parties

Key management personnel compensation

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

	2019 €000	2018 €000
Directors' fees	309	336
Salary and employee benefits	3,151	3,034
Share-based payments	232	3,550
Total	3,692	6,920

The share-based payments relating to key management personnel for the year ended 31 March 2019 include an expense of €232,000 (2018: €3,550,000) for the granting of shares under the LTIP (see note 8).

Information on Directors' emoluments is given in the Remuneration report on pages 57 to 73.

27. Capital and other commitments

The Group's operating lease commitments derived from office rental contracts are as follows:

	2019 €000	2018 €000
Less than 1 year	7,244	6,984
Between 1 and 5 years	15,801	21,909
More than 5 years	262	529
	23,306	29,422

As at 31 March 2019, the Group had contracted capital expenditure for development and enhancements on existing properties of €8,041,000 (2018: €8,745,000). In addition, the Group had commitments of €6,995,000 (31 March 2018: €7,053,000) for leasehold obligations.

These were committed but not yet provided for in the financial statements.

28. Operating lease arrangements

Group as lessor

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

	2019 €000	2018(1) €000
Less than 1 year	74,809	66,355
Between 1 and 5 years	135,476	112,125
More than 5 years	29,996	23,827
	240,281	202,307

(1) The comparative year has been restated on the basis of sub leases as per the current year.

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

Group as lessee

During the year the Group has expensed lease payments in amount of €6,291,000 (2018: 6,078,000).

29. List of subsidiary undertakings

The Group consists of 89 subsidiary companies. All subsidiaries are consolidated in full in accordance with IFRS.

Company name	Country of incorporation	**Ownership at 31 March 2019 %**	Ownership at 31 March 2018 %
Curris Facilities & Utilities Management GmbH	Germany	**100.00**	100.00
DDS Aspen B.V.	Netherlands	**100.00**	100.00
DDS Bagnut B.V.	Netherlands	**100.00**	100.00
DDS Business Centers B.V.	Netherlands	**100.00**	100.00
DDS Conferencing & Catering GmbH	Germany	**100.00**	100.00
DDS Edelweiss B.V.	Netherlands	**100.00**	100.00
DDS Elm B.V.	Netherlands	**100.00**	100.00
DDS Fir B.V.	Netherlands	**100.00**	100.00
DDS Hawthorn B.V.	Netherlands	**100.00**	100.00
DDS Hazel B.V.	Netherlands	**100.00**	100.00
DDS Hyacinth B.V.	Netherlands	**100.00**	100.00
DDS Lark B.V.	Netherlands	**100.00**	100.00
DDS Lime B.V.	Netherlands	**100.00**	100.00
DDS Maple B.V.	Netherlands	**100.00**	100.00
DDS Mulberry B.V.	Netherlands	**100.00**	100.00
DDS Rose B.V.	Netherlands	**100.00**	100.00
DDS Walnut B.V.	Netherlands	**100.00**	100.00
DDS Yew B.V.	Netherlands	**100.00**	100.00
LB^2 Catering and Services GmbH	Germany	**100.00**	100.00
Marba Daffodil B.V.	Netherlands	**100.00**	100.00
Marba Holland B.V.	Netherlands	**100.00**	100.00
Marba Lavender B.V.	Netherlands	**100.00**	100.00
Marba Olive B.V.	Netherlands	**100.00**	100.00
Marba Violin B.V.	Netherlands	**100.00**	100.00
Marba Willstätt B.V.	Netherlands	**100.00**	100.00
SFG NOVA Construction and Services GmbH	Germany	**100.00**	100.00
Sirius Acerola GmbH & Co. KG	Germany	**100.00**	100.00
Sirius Alder B.V.	Netherlands	**100.00**	100.00
Sirius Aloe GmbH & Co. KG	Germany	**100.00**	100.00
Sirius Ash B.V.	Netherlands	**100.00**	100.00
Sirius Aster GmbH & Co. KG K	Germany	**100.00**	100.00
Sirius Beech B.V.	Netherlands	**100.00**	100.00
Sirius Birch GmbH & Co. KG	Germany	**100.00**	n/a
Sirius Coöperatief U.A.	Netherlands	**100.00**	100.00
Sirius Corporate Services B.V.	Netherlands	**100.00**	100.00
Sirius Dahlia GmbH & Co. KG	Germany	**100.00**	n/a
Sirius Facilities (UK) Limited	UK	**100.00**	100.00
Sirius Facilities GmbH	Germany	**100.00**	100.00
Sirius Finance (Guernsey) Ltd.	Guernsey	**100.00**	100.00
Sirius Four B.V.	Netherlands	**100.00**	100.00
Sirius Frankfurt Erste GmbH & Co. KG	Germany	**100.00**	100.00
Sirius Gum B.V.	Netherlands	**100.00**	100.00
Sirius Ivy B.V.	Netherlands	**100.00**	100.00
Sirius Juniper B.V.	Netherlands	**100.00**	100.00
Sirius Krefeld Erste GmbH & Co. KG	Germany	**100.00**	100.00
Sirius Laburnum B.V.	Netherlands	**100.00**	100.00
Sirius Lily B.V.	Netherlands	**100.00**	100.00

29. List of subsidiary undertakings continued

Company name	Country of incorporation	Ownership at 31 March 2019 %	Ownership at 31 March 2018 %
Sirius Management One GmbH	Germany	**100.00**	100.00
Sirius Management Two GmbH	Germany	**100.00**	100.00
Sirius Management Three GmbH	Germany	**100.00**	100.00
Sirius Management Four GmbH	Germany	**100.00**	100.00
Sirius Management Five GmbH	Germany	**100.00**	100.00
Sirius Management Six GmbH	Germany	**100.00**	100.00
Sirius Mannheim B.V.	Netherlands	**100.00**	100.00
Sirius Oak B.V.	Netherlands	**100.00**	100.00
Sirius One B.V.	Netherlands	**100.00**	100.00
Sirius Orange B.V.	Netherlands	**100.00**	100.00
Sirius Orchid B.V.	Netherlands	**100.00**	100.00
Sirius Pine B.V.	Netherlands	**100.00**	100.00
Sirius Tamarack B.V.	Netherlands	**100.00**	100.00
Sirius Three B.V.	Netherlands	**100.00**	100.00
Sirius Tulip B.V.	Netherlands	**100.00**	100.00
Sirius Two B.V.	Netherlands	**100.00**	100.00
Sirius Willow B.V.	Netherlands	**100.00**	100.00
Marba Bonn B.V.	Netherlands	**99.73**	99.73
Marba Bremen B.V.	Netherlands	**99.73**	99.73
Marba Brinkmann B.V.	Netherlands	**99.73**	99.73
Marba Catalpa B.V.	Netherlands	**99.73**	99.73
Marba Cedarwood B.V.	Netherlands	**99.73**	99.73
Marba Chestnut B.V.	Netherlands	**99.73**	99.73
Marba Dandelion B.V.	Netherlands	**99.73**	99.73
Marba Dutch Holdings B.V.	Netherlands	**99.73**	99.73
Marba Foxglove B.V.	Netherlands	**99.73**	99.73
Marba HAG B.V.	Netherlands	**99.73**	99.73
Marba Hornbeam B.V.	Netherlands	**99.73**	99.73
Marba Königswinter B.V.	Netherlands	**99.73**	99.73
Marba Maintal B.V.	Netherlands	**99.73**	99.73
Marba Marigold B.V.	Netherlands	**99.73**	99.73
Marba Merseburg B.V.	Netherlands	**99.73**	99.73
Marba Mimosa B.V.	Netherlands	**99.73**	99.73
Marba Regensburg B.V.	Netherlands	**99.73**	99.73
Marba Saffron B.V.	Netherlands	**99.73**	99.73
Marba Troisdorf B.V.	Netherlands	**99.73**	99.73
Sirius Almond GmbH & Co. KG	Germany	**99.73**	99.73
Sirius Bluebell GmbH & Co. KG	Germany	**99.73**	99.73
Sirius Cypress GmbH & Co. KG	Germany	**99.73**	n/a
Sirius Administration One GmbH & Co KG	Germany	**94.80**	94.80
Sirius Administration Two GmbH & Co KG	Germany	**94.80**	94.80
Verwaltungsgesellschaft Gewerbepark Bilderstöckchen GmbH	Germany	**94.15**	94.15

30. Post balance sheet events

On 10 May 2019, the Group completed the acquisition of a business park located in Buxtehude, near Hamburg. Total acquisition costs are expected to be €8.7 million. The property is a mixed-use business park and has a net lettable area of 28,532 sqm. The property is 100% vacant.

On 31 May 2019, the Group completed the acquisition of a business park located in Teningen, near Freiburg. Total acquisition costs are expected to be €6.5 million. The property is a mixed-use business park and has a net lettable area of 20,062 sqm. The property is 88% occupied and let to seven tenants, producing an annual income of €0.8 million and having a remaining weighted average lease term of 1.6 years.

Non-IFRS measures

	Year ended 31 March 2019 €000	Year ended 31 March 2018 €000
Total comprehensive income for the year attributable to the owners of the Company	**128,657**	81,272
Gain on revaluation of investment properties	**(99,887)**	(63,452)
(Gain)/loss on disposal of properties (net of related tax)	**(441)**	4,423
Change in fair value of derivative financial instruments	**1,495**	(43)
Deferred tax in respect of EPRA adjustments	**15,138**	5,492
NCI in respect of the above	**33**	91
EPRA earnings	**44,995**	27,783
Add change in deferred tax relating to derivative financial instruments	**54**	20
Add change in fair value of derivative financial instruments	**(1,495)**	43
NCI in respect of the above	**—**	(91)
Headline earnings after tax	**43,554**	27,755
Add/(deduct) change in fair value of derivative financial instruments net of related tax	**1,441**	(63)
Add adjusting items[1], net of related tax	**1,101**	8,349
Adjusted earnings after tax	**46,096**	36,041

(1) See note 11 to the financial statements.

	Year ended 31 March 2019 €000	Year ended 31 March 2018 €000
EPRA earnings	**44,995**	27,783
Weighted average number of ordinary shares	**1,006,966,788**	914,479,339
EPRA earnings per share (cents)	**4.47**	3.04
Headline earnings after tax	**43,554**	27,755
Weighted average number of ordinary shares	**1,006,966,788**	914,479,339
Headline earnings per share (cents)	**4.33**	3.04
Adjusted earnings after tax	**46,096**	36,041
Weighted average number of ordinary shares	**1,006,966,788**	914,479,339
Adjusted earnings per share (cents)	**4.58**	3.94

Geographical property analysis

March 2019	No. of owned properties	Total sqm 000	Occupancy	Rate psqm €	Annualised rent roll €m	% of portfolio by annualised rent roll	Value €m[1]	Gross yield	WALE rent	WALE sqm
Frankfurt	14	320	87.4%	5.99	20.1	23%	258.8	7.8%	2.3	2.2
Berlin	6	204	93.7%	5.86	13.5	15%	190.8	7.1%	3.4	3.6
Stuttgart	7	258	89.6%	4.70	13.0	15%	154.4	8.4%	2.6	2.6
Cologne	7	127	90.4%	7.16	9.9	11%	125.8	7.9%	2.3	2.3
Munich	2	105	81.6%	6.72	6.9	8%	115.2	6.0%	3.7	4.1
Düsseldorf	9	160	85.2%	5.15	8.4	10%	104.9	8.0%	2.5	2.1
Hamburg	2	51	60.0%	4.43	1.6	2%	25.8	6.3%	1.7	1.7
Other	8	245	80.2%	6.10	14.4	16%	156.8	9.2%	3.1	3.0
Total	**55**	**1,470**	**86.1%**	**5.78**	**87.8**	**100%**	**1,132.5**	**7.8%**	**2.8**	**2.8**

(1) Including investment properties within the disposal group.

Usage analysis

Usage	Total sqm	% of total sqm	Occupied sqm	% of occupied sqm	Annualised rent roll €m	% of annualised rent roll	Vacant sqm	Rate psqm €
Office	459,735	31.3%	379,085	29.9%	33.5	38.1%	80,650	7.37
Storage	472,550	32.2%	399,124	31.5%	20.6	23.5%	73,426	4.31
Production	339,885	23.1%	327,486	25.9%	16.8	19.1%	12,399	4.26
Smartspace	86,997	5.9%	64,135	5.1%	5.7	6.5%	22,862	7.36
Other[(1)]	110,508	7.5%	95,928	7.6%	11.2	12.8%	14,580	9.74
Total	**1,469,675**	**100.0%**	**1,265,758**	**100.0%**	**87.8**	**100.0%**	**203,917**	**5.78**

(1) Other includes: catering, other usage, residential, retail, technical space, land and car parking.

Lease expiry profile of future minimum lease payments receivable under non-cancellable leases by income:

	Office €000	Production €000	Storage €000	Smartspace €000	Other €000	Adjustments in relation to lease incentives €000	Total €000
Less than 1 year	29,525	15,798	17,836	2,468	9,533	(350)	74,809
Between 1 and 5 years	53,133	32,653	32,134	635	16,971	(51)	135,476
More than 5 years	13,075	6,448	5,700	—	4,779	(5)	29,996
Total	**95,733**	**54,899**	**55,669**	**3,103**	**31,283**	**(406)**	**240,281**

Lease expiry profile by future minimum lease payments receivable under non-cancellable leases by sqm:

	Office sqm	Production sqm	Storage sqm	Smartspace sqm	Other sqm	Total sqm
Less than 1 year	103,560	54,338	134,595	55,913	23,421	371,827
Between 1 and 5 years	213,174	195,868	214,750	8,222	53,229	685,243
More than 5 years	62,351	77,280	49,779	—	19,278	208,688
Total	**379,085**	**327,486**	**399,124**	**64,135**	**95,928**	**1,265,758**

Escalation profile per usage

The Group's primary source of revenue relates to leasing contracts with tenants. To the extent to which these contracts contain currently agreed uplifts the average increase by usage over the coming twelve months is detailed as follows:

Usage	Increase in %
Office	3.2%
Storage	3.7%
Production	1.2%
Smartspace	7.0%
Other[1]	3.9%
Total	**2.9%**

(1) Other includes: catering, other usage, residential, retail, technical space, land and car parking.

Property profile March 2019

Property and location	Total sqm	Office sqm	Storage sqm	Production sqm	Other sqm	Rate psm €
Mahlsdorf	29,261	11,639	10,848	1,870	4,904	6.91
Mahlsdorf II	12,804	5,824	1,305	1,906	3,769	6.53
Gartenfeld	25,729	5,165	11,025	3,351	6,188	6.66
Berlin Borsigwerke I	77,175	15,929	13,444	44,276	3,526	3.84
Berlin Tempelhof	23,673	7,571	6,209	4,531	5,362	7.75
Potsdam	35,718	12,372	12,531	4,956	5,859	6.95
Bonn	10,590	4,531	3,088	477	2,494	7.33
Bonn – Dransdorf	19,152	5,453	6,736	1,657	5,306	5.95

Property profile March 2019 continued

Property and location	Total sqm	Office sqm	Storage sqm	Production sqm	Other sqm	Rate psqm €
Aachen I	24,180	12,119	2,364	5,510	4,187	8.55
Aachen II	9,766	1,594	6,360	1,601	211	4.87
Cologne	28,988	2,591	12,177	2,210	12,010	4.74
Cölln Parc	13,686	6,506	3,596	2,850	734	9.63
Köln Porz	21,059	15,639	2,901	279	2,240	8.94
Neuss	17,863	14,408	1,220	153	2,082	10.02
Wuppertal	14,608	857	6,411	3,613	3,727	3.59
Solingen	13,332	2,475	4,409	4,924	1,524	2.56
Düsseldorf – Sud	21,255	2,627	13,054	1,970	3,604	4.51
Krefeld III	9,667	4,835	3,302	1,023	507	8.25
Düsseldorf II	9,838	4,433	4,949	–	456	7.36
Krefeld II	6,102	3,303	325	2,171	303	5.71
Krefeld	11,382	7,514	2,549	592	727	8.22
Bochum	55,639	12,721	35,842	3,964	3,112	4.11
Mannheim II	15,119	6,659	4,660	586	3,214	5.57
Neu-Isenburg	8,322	5,763	1,195	–	1,364	10.60
Mannheim	68,760	12,981	22,332	27,807	5,640	4.60
Maintal	37,320	7,363	15,020	8,914	6,023	5.34
Maintal Mitte	11,023	462	4,523	5,685	353	3.51
Offenbach I	15,103	3,122	3,163	3,047	5,771	5.72
Pfungstadt	33,063	6,707	10,431	11,027	4,898	4.50
Offenbach Carl Legien-Strasse	45,637	8,890	9,672	17,625	9,450	4.77
Frankfurt Röntgenstraße	5,488	3,721	576	205	986	8.98
Friedrichsdorf	17,558	6,740	5,235	2,763	2,820	6.67
Mainz	26,691	13,201	9,065	2,177	2,248	8.35
Dreieich	13,001	7,418	3,081	–	2,502	7.37
Frankfurt	4,325	1,947	443	68	1,867	8.90
Wiesbaden	18,294	13,596	1,912	–	2,786	13.31
Schenefeld	40,326	10,396	23,809	1,960	4,161	4.32
Hamburg Lademannbogen	10,350	8,190	1,197	–	963	10.03
Munich – Neuaubing	91,214	16,429	34,935	29,600	10,250	6.54
Grasbrunn	14,188	9,546	3,156	–	1,486	9.83
Rostock	18,649	8,245	1,569	6,606	2,229	5.74
Hanover	23,279	9,210	3,591	7,932	2,546	5.11
Magdeburg	30,378	11,589	9,638	4,487	4,664	6.07
Dresden	58,159	26,410	17,677	11,072	3,000	6.48
Kassel	8,144	3,315	682	3,875	272	5.05
Saarbrücken	48,221	31,255	10,693	820	5,453	8.16
Nürnberg	34,976	9,229	10,635	11,399	3,713	4.98
Bayreuth	22,736	2,186	3,352	15,286	1,912	5.37
Ludwigsburg	28,237	7,453	10,332	3,799	6,653	5.84
Stuttgart-Weilimdorf	6,765	4,970	574	144	1,077	8.54
Heidenheim	46,909	8,158	16,624	13,412	8,715	4.13
Stuttgart – Kirchheim	63,124	21,637	13,306	21,065	7,116	5.99
Markgröningen	57,732	4,580	30,721	20,335	2,096	2.93
Fellbach	27,146	1,720	18,447	235	6,744	4.15
Frickenhausen	27,974	6,542	5,661	14,070	1,701	4.68
Total	**1,469,675**	**459,735**	**472,550**	**339,885**	**197,505**	**5.78**

Basis of preparation

The directors of Sirius Real Estate Limited ("Sirius") ("Directors") have chosen to disclose additional non-IFRS measures, these include EPRA earnings, adjusted net asset value, EPRA net asset 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 property revaluation, changes in fair value of derivative financial instruments, profits and losses on disposals (collectively the "EPRA earnings adjustments") and deferred tax in respect of these EPRA earnings adjustments. The reconciliation between basic and diluted earnings and EPRA earnings is detailed in table A below;

» 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 and deferred tax relating to valuation movements and derivatives. The reconciliation for adjusted net asset value is detailed in table B below;

» EPRA net asset value in order to assist in comparisons with similar businesses in the real estate sector. EPRA net asset value is a definition of net asset value as set out by the European Public Real Estate Association. EPRA net asset value represents net asset value after adjusting for derivative financial instruments and deferred tax relating to valuation movements and derivatives (collectively the "EPRA net asset value adjustments"). The reconciliation for EPRA net asset value is detailed in table C below;

» 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 excludes the effect of the surplus on revaluation, adjusting items, gains/losses on sale of properties and change in fair value of financial derivatives. The reconciliation for adjusted profit before tax is detailed in table D below; and

» 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, it excludes depreciation, amortisation of financing fees and current tax excluding prior year adjustments and tax on disposals. The reconciliation for funds from operations is detailed in table D below.

The Non-IFRS Financial Information has not been prepared using the accounting policies of Sirius and does not comply with IFRS. The Non-IFRS Financial Information is presented in accordance with the JSE Listing Requirements. The Non-IFRS Financial Information is the responsibility of the Directors and has been presented for illustrative purposes and, due to its nature, may not fairly present the Group's financial position or, result of operations.

Ernst & Young Inc have issued a reporting accountants' report on the Non-IFRS Financial Information which is available for inspection at the Group's registered office. The Non-IFRS Financial Information has been extracted from the Group's consolidated financial statements for the year ended 31 March 2019 ("consolidated financial statements").

Table A – EPRA earnings

	31 March 2019 €000	31 March 2018 €000
Basic and diluted earnings attributable to owners of the Company(1)	**128,657**	81,272
Gain on revaluation of investment properties(2)	**(99,887)**	(63,452)
(Gain)/loss on disposal of properties (including tax)(3)	**(441)**	4,423
Change in fair value of derivative financial instruments(4)	**1,495**	(43)
Deferred tax in respect of EPRA earnings adjustments(5)	**15,138**	5,492
NCI in respect of the above(6)	**33**	91
EPRA earnings(7)	**44,995**	27,783

Notes:

(1) Row 1 presents the profit and total comprehensive income attributable to owners of the Company which has been extracted from the consolidated statement of comprehensive income within the consolidated financial statements.

(2) Row 2 presents the gain on revaluation of investment properties reported in the statement of comprehensive income which has been extracted from note 13 within the consolidated financial statements.

(3) Row 3 presents the gain or loss on disposal of properties (including tax) which has been extracted from note 6 of the consolidated financial statements adjusted for current income tax of €170,000.

(4) Row 4 presents the change in fair value of derivative financial instruments which has been extracted from the consolidated statement of comprehensive income within the consolidated financial statements.

(5) Row 5 presents deferred tax relating to origination and reversal of temporary differences which has been extracted from note 10 of the consolidated financial statements.

(6) Row 6 presents the non-controlling interest relating to gain on revaluation and gain on sale of properties net of related tax which has been extracted from note 11 of the consolidated financial statements.

(7) Row 7 presents the EPRA Earnings for the year ended 31 March 2019.

Basis of preparation continued

Table B – Adjusted net asset value

	2019 €000	2018 €000
Net asset value		
Net asset value for the purpose of assets per share (assets attributable to the owners of the Company)(1)	**725,808**	625,461
Deferred tax arising on revaluation gain, financial derivatives instruments and LTIP valuation(2)	**41,623**	25,674
Derivative financial instruments(3)	**298**	902
Adjusted net asset value attributable to owners of the Company(4)	**768,333**	651,433

Notes:

(1) Row 1 presents net asset value for the purpose of assets per share (assets attributable to the owners of the Company) which has been extracted from the consolidated financial statements.

(2) Row 2 presents deferred tax expense of €41,696,000 arising on revaluation gains and a credit of €73,000 arising on derivative financial instruments which has been extracted from note 12 of the consolidated financial statements.

(3) Row 3 presents current derivative financial instruments assets of €250,000 less current derivative financial instruments liabilities of €346,000 less non-current derivative financial instruments liabilities of €806,000 as extracted from the consolidated statement of financial position from the consolidate financial statements.

(4) Row 4 presents the adjusted net asset value as at 31 March 2019.

Table C – EPRA net asset value

	2019 €000	2018 €000
Net asset value at the end of the year (basic)(1)	**725,808**	625,461
Derivative financial instruments at fair value(2)	**902**	298
Deferred tax in respect of EPRA net asset value adjustments(3)	**41,623**	26,485
EPRA net asset value(4)	**768,333**	652,244

Notes:

(1) Row 1 presents net asset value extracted from note 12 of the consolidated financial statements.

(2) Row 2 presents current derivative financial instruments assets of €250,000 less current derivative financial instruments liabilities of €346,000 less non-current derivative financial instruments liabilities of €806,000 as extracted from the consolidated statement of financial position from the consolidated financial statements.

(3) Row 3 presents deferred tax expense of €41,696,000 arising on revaluation gains and a credit of €73,000 arising on derivative financial instruments extracted from note 12 of the consolidated financial statements.

(4) Row 4 presents the EPRA net asset value as at 31 March 2019.

Basis of preparation continued

Table D – Adjusted profit before tax and funds from operations

	31 March 2019 €m	31 March 2018 €m
Reported profit before tax(1)	**144.7**	89.6
Adjustments for:		
Gain on revaluation of investment properties(2)	**(99.9)**	(63.5)
(Gain)/loss of disposals of properties(3)	**(0.6)**	2.5
Other adjusting items(4)*	**0.4**	8.1
Change in fair value of financial derivatives(5)	**1.5**	—
Adjusted profit before tax(6)	**46.1**	36.7
Adjustments for:		
Depreciation(7)	**1.4**	1.1
Amortisation of financing fees(8)	**1.4**	1.2
Current taxes incurred(9)	**—**	(3.4)
Add back current tax relating to disposals and prior year adjustments(10)	**(0.5)**	2.8
Funds from operations, year ended 31 March(11)	**48.4**	38.4

* Includes the net effect of management LTIP awards and expected costs associated with the disposal group. See note 11 for details.

Notes:

(1) Row 1 presents profit before tax which has been extracted from the consolidated financial statements.

(2) Row 2 presents the gain on revaluation of investment properties reported in the statement of comprehensive income which has been extracted from note 13 within the consolidated financial statements.

(3) Row 3 presents the gain or loss on disposal of properties which has been extracted from note 6 of the consolidated financial statements.

(4) Row 4 presents other adjusting items of €0.2 million relating to LTIP and SIP expense and €0.2 million relating to non-recurring items primarily relating to the new venture with AXA IM – Real Assets which has been extracted from note 6 of the consolidated financial statements.

(5) Row 5 presents the change in fair value of derivative financial instruments which has been extracted from the consolidated statement of comprehensive income within the consolidated financial statements.

(6) Row 6 presents the adjusted profit before tax for the year ended 31 March 2019.

(7) Row 7 presents depreciation as extracted from note 6 of the consolidated financial statements.

(8) Row 8 presents amortisation of capitalised finance costs which has been extracted from note 9 of the consolidated financial statements.

(9) Row 9 presents the total current income tax which has been extracted from note 10 of the consolidated financial statements.

(10) Row 10 presents the add back of current tax relating to disposals and prior year adjustments extracted from note 10 of the consolidated financial statements.

(11) Row 11 presents the funds from operations for the year ended 31 March 2019.

Adjusted earnings	is the earnings attributable to the owners of the Company, excluding the effect of adjusting items net of related tax, gains/losses on sale of properties net of related tax, the revaluation deficits/ surpluses on the investment properties net of related tax and derivative financial instruments net of related tax
Adjusted net asset value	is the assets attributable to the equity owners of the Company adjusted for deferred tax and derivative financial instruments
Adjusted profit before tax	is the reported profit before tax adjusted for property revaluation, changes in fair value of derivative financial instruments and other adjusting items
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 31 March 2019. 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 Annual Report and reported within revenue in the consolidated statement of comprehensive income 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 for property revaluation, changes in fair value of derivative financial instruments, profits and losses on disposals and deferred tax in respect of these items
EPRA net asset value	is the net asset value after adjusting for derivative financial instruments and deferred tax relating to valuation movements and derivatives
EPRA net initial yield	is the annualised rent roll based on the cash rents passing at the balance sheet 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
Funds from operations	is reported profit before tax adjusted for property revaluation, gain/loss on disposals, change in the fair value of derivative financial instruments, adjusting items, depreciation, amortisation of financing fees and current tax receivable/incurred
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
Gross yield	is the annualised rent roll generated by a property expressed as a percentage of its value

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 and other income from investment properties generated by a property 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
Rate	is rental income per sqm expressed on a monthly basis as at a specific reporting date
Total debt	is the aggregate amount of the Company's 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 plus 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

Registered office
Trafalgar Court
2nd Floor
East Wing
Admiral Park
St Peter Port
Guernsey GY1 3EL
Channel Islands

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

Company Secretary
A L Bennett
Sirius Real Estate Limited
Trafalgar Court
2nd Floor
East Wing
Admiral Park
St Peter Port
Guernsey GY1 3EL
Channel Islands

UK solicitors
Norton Rose Fulbright LLP
3 More London Riverside
London SE1 2AQ

Financial PR
Tavistock Communications Limited
1 Cornhill
London EC3V 3ND

JSE sponsor
PSG Capital Proprietary Limited
1st Floor, Ou Kollege
35 Kerk Street
Stellenbosch
7600
South Africa

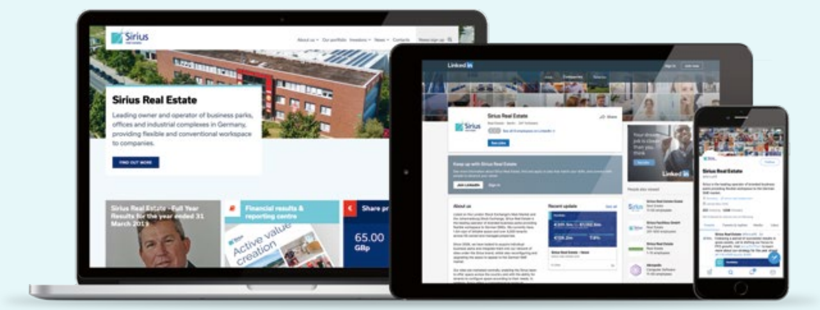
Joint broker
Peel Hunt LLP
120 London Wall
London EC2Y 5ET

Joint broker
Berenberg
60 Threadneedle Street
London EC2R 8HP

Property valuer
Cushman & Wakefield LLP
Rathenauplatz 1
60313 Frankfurt am Main
Germany

Independent auditors
Ernst & Young LLP
1 More London Place
London SE1 2AF
United Kingdom

Guernsey solicitors
Carey Olsen
PO Box 98
7 New Street
St. Peter Port
Guernsey GY1 4BZ
Channel Islands



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Trafalgar Court
2nd Floor
East Wing
Admiral Park
St Peter Port
Guernsey GY1 3EL
Channel Islands

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