Sirius facilities

**Sirius Real Estate Limited**

Annual Report and Accounts 2011


Providing space for business

# **Sirius Real Estate Limited** develops mixed-use commercial sites in Germany into innovative Business Parks, offering flexible workspace and services to suit small and medium sized enterprises.

## Our year in brief

Key events in the past twelve months

| September 2010 | November 2010 | January 2011 | March 2011 |
|---|---|---|---|
| New leases signed by 10 of the 50 largest tenants in Q1 and Q2 with a weighted average lease length of 7.5 years | Portfolio occupancy reaches 75% | Monthly enquiries exceed 1,200 | 275 new deals in Q4 |

"This has been an important year for the business, as we have made significant progress towards our objectives of increasing occupancy and efficiency across the portfolio. At 76%, we are achieving further significant increases in occupancy. Through the actions we commenced 18 months ago, the Group has reduced its irrecoverable cost base by some €1.8 million, which has led to the Company's improved performance."

Read the Chairman's statement by Dick Kingston in full on **pages 04 and 05**

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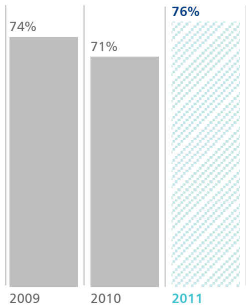
# Highlights

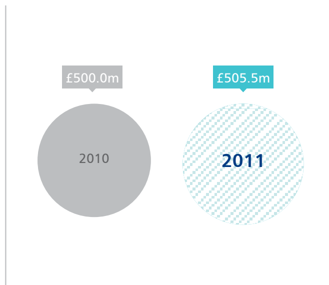
## Financial
- Property portfolio revalued at €505.5m (31 March 2010: €500.0m)
- Total income of €45.6m (2010: €44.0m)
- Current annualised rent roll of €43.6m (2010: €41.9m)
- PBT from recurring revenues[1] excluding prior period write-offs was €2.0m (2010: €0.8m)
- EBITDA from recurring revenues excluding prior period write-offs was €20.7m (2010: €18.0m)
- Occupancy increased to 76% (31 March 2010: 71%)
- New lettings in the period 159,292 sqm (31 March 2010: 106,647 sqm)
- Conferencing and catering business contribution increased by more than 160% to €776,384 (31 March 2010: €296,594)
- Service charge irrecoverable costs and company overheads reduced by €1.8m in the period
- Operating within banking covenants
- LTV across the portfolio as at 31 March 2011 of 60.2% (31 March 2010: 62.2%)
- Adjusted NAV per share of 72.85c (31 March 2010: 73.63c)
- Cash balance of €23.6m (31 March 2010: €33.4m)

## Operational
- Focused on increasing occupancy, revenues and efficiency across the portfolio
- Cost reduction and recovery programme generated savings of €1.8m in the period and a further €1.0m expected next period through:
  - Further reductions in property running costs and overheads
  - Better allocation and transparency of property running costs
- Exposure to service charge recovery write-offs has been significantly reduced going forward by:
  - Increase in service charge prepayments received from tenants
  - Reduced costs mentioned above
  - Improved allocation of facility management and utilities costs to tenants
  - Improved lease terms on all new tenants
- Strong demand for our smartspace initiative
- Average monthly sales enquiries increased from 521 to 966
- Market conditions remain positive

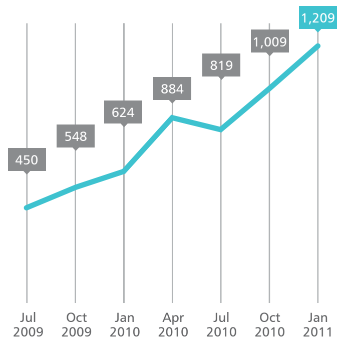
Occupancy
**76%**
+4.6%




Property portfolio value (£m)
**£505.5m**
+1.1%




Sales enquiries
**1,209**
+93.8%




[1] Excluding property revaluation, change in fair value derivative instruments, costs relating to the requisitioned Extraordinary General Meeting ("EGM") and write-downs relating to prior periods service charge collections and tenant debtors.

Sirius at a glance

# Building flexible workspace

We are the leading operator of branded business parks in Germany. We invest in large mixed-use commercial real estate assets in Germany which can be sub-divided into flexible workspaces, offering a range of high quality managed properties to the SME sector. We understand the requirements of today's small to medium sized businesses and our service and products perfectly cater to our clients' needs.

**Key portfolio statistics**

Total number of properties:
**38**

Total lettable space:
**1.15m sqm**

Total portfolio split:

| | |
|---|---|
| Storage | 35% |
| Production | 27% |
| Office | 22% |
| Other | 16% |

**Property locations**
- North
- West
- East
- Middle
- South West
- South

Review of the Year

Our customers | Workspace solution

## 1 Brinkmann Tabakfabriken GmbH — Production hall and smartspace storage

**Business type**
Subsidiary company of British American Tobacco Industry

**Location**
Sirius Business Park Bremen Brinkmann

**Requirement**
Brinkmann Tabakfabriken GmbH required large space for production and storage facilities.

**Solution**
Sirius provides a large hall, which is perfect for fabrication of their cigarette sleeves, filter-cigarillos and special packing. Using smartspace storage Brinkmann Tabakfabriken GmbH can store its products for as long as needed.

## 2 Eniky GmbH — Office space and conference centre

**Business type**
Digital advertising and marketing

**Location**
Sirius Business Park Berlin Gartenfeld

**Requirement**
Eniky GmbH was looking for an inspiring workspace where the team could fulfil their creative work with full IT capability. In addition Eniky GmbH needed a conference room to host customer presentations.

**Solution**
Sirius offered a customised office space, providing the best conditions for the business. In addition, Eniky GmbH can use the range of conference rooms available.

Corporate Governance

## 3 Orion Clinical Services GmbH — Conference centre and smartspace office and storage

**Business type**
Provider of global clinical drug development services

**Location**
Sirius Business Park Troisdorf

**Requirement**
Orion Clinical Services GmbH required fully serviced offices and storage combined with professionally equipped conference rooms for customer meetings.

**Solution**
The Sirius product smartspace provides Orion with flexibility and service at excellent value. The storage and office space is on flexible terms offering further expansion when needed. In addition, Orion Clinical Services GmbH has access to our nationwide network of professionally equipped conference rooms.

## 4 Grollmus GmbH — Conference centre and smartspace office

**Business type**
SIMATIC software training and further education

**Location**
Sirius Business Park Munich-Neuaubing

**Requirement**
Grollmus GmbH works with companies who use an automation system for more effective production techniques. The company required professionally equipped conference rooms to train customers, with the option of a fully serviced office for the team.

**Solution**
The Sirius conference rooms provide Grollmus GmbH with meeting facilities for training purposes. In addition, Grollmus GmbH has since rented a smartspace office with a fully serviced package. As the company continues to grow it can take additional workspace when required.

Financial Statements

# Chairman's statement

***"Sirius has established itself as the leading operator of branded business parks providing flexible workspace to the German SME market. Today, some 1,521 tenants currently occupy 878,334 sqm of the 1.15m sqm of space available within the portfolio."***

## In summary

Trading conditions in Germany are improving, with demand from the SME sector remaining positive.

During the period, occupancy in 30 of the 38 sites either increased or remained at 100%.

As at 31 March 2011, the portfolio was valued independently at €505.5m (31 March 2010: €500.0m).

As at 31 March 2011, the annualised gross rent roll was €43.6m (2010: €41.9m).

Focus is on increasing rental income and reducing the cost base of the business.

## Introduction

I am pleased to announce the Group's full year results for the year to 31 March 2011. The Group has made solid progress, having now streamlined the business and established a strong platform from which to increase profitability.

Sirius has established itself as the leading operator of branded business parks providing flexible workspace to the German SME market. Today, some 1,521 tenants currently occupy 878,334 sqm of the 1.15m sqm of space available within the portfolio. Most of the tenant base is drawn from the German SME sector for which the Company has sought to extend its range of services to meet their requirements. In the year under review, the Company has successfully promoted these services, such as the increasingly popular smartspace range, flexible storage solutions plus conferencing and catering facilities that have added to the appeal of the business parks and supported renewals. Demand for Sirius' flexible multipurpose space is continuing to increase and the Company is well positioned to take advantage of this.

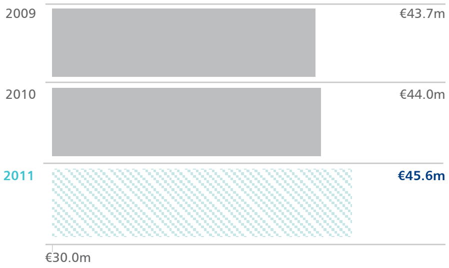
## Financial

Total income for the year was €45.6m (2010: €44.0m). As at 31 March 2011, the annualised gross rent roll was €43.6m (2010: €41.9m), over a total lettable area of 1.15m sqm. Rent roll in the period increased through the 159,292 sqm of new lettings signed in the period; however, this was offset by 123,768 sqm of move-outs. The large number of move-outs over the last couple of years was significantly influenced by the difficult economic conditions. With an improving market environment as well as internal procedures in place, the Company hopes that future move-outs will be reduced.

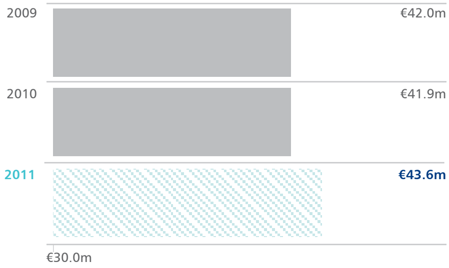
As at 31 March 2011 occupancy was 76% (31 March 2010: 71%). This reflects an impressive recovery from 1 January 2010, when occupancy stood at 68%.

The Company's recurring EBITDA excluding write-offs from prior periods has significantly moved forward in the period to €20.7m (2010: €18.1m). This has been achieved mainly through the €1.8m reduction in irrecoverable costs and overheads in the period. Additionally a greater focus on the conferencing and catering business saw an increase of more than 160% in contribution to €776,384 (2010: €296,594). Altogether with the positive new lettings achievements mentioned above, the performance of the portfolio is gathering momentum.

### Gross rental income
Annualised gross rental income has increased to €45.6m at March 2011.




### Gross rent roll
Annualised gross rent roll has increased to €43.6m at March 2011.




The recurring adjusted PBT excluding write-offs from prior periods was €2.0m (2010: €0.8m) reflecting the benefits mentioned above. Bank interest was higher in the period due to the most recent bank facility being in place for the full year. The adjusted EPS excluding property revaluation, change in fair value of derivative financial instruments, exceptional costs and non-controlling interests was (0.61)c (2010: 0.54c). The adjusted EPS calculation includes the write-offs relating to prior periods which are discussed in more detail in the Asset Manager's report.

The Company's cash reserves at the period end were €23.6m (2010: €33.4m) and all bank facilities were operating within covenants. As at 31 March 2011 Sirius's borrowings excluding capitalised loan costs totalled €304.3m (2010: €311.0m). The outstanding consideration on the Royal Bank of Scotland ("RBS") facility was €93.4m and the Landesbank Berlin AG and Berlin-Hannoversche Hypothekenbank AG ("LBB") facility was €211.0m, representing an overall loan-to-value ratio ("LTV") of 60.2% (2010: 62.2%). The RBS facility matures in October 2012 and the Company has been active in determining the best re-financing solution. The Board remains confident that it has the flexibility to manage Sirius's financial position.

## NAV
As at 31 March 2011, the portfolio was valued independently by DTZ Zadelhoff Tie Leung GmbH at €505.5m (31 March 2010: €500.0m).

The portfolio, including vacant space, is valued on an average net initial yield of 7.0% (2010: 7.0%) and an average capital value per sqm of €438 (2010: €434).

The adjusted net asset value per share, which excludes the provisions for deferred tax and derivative financial instruments, was 72.85c as at 31 March 2011 (31 March 2010: 73.63c).

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

## Asset management
The Asset Manager has made good progress in terms of its key targets of increasing occupancy, improving revenue streams and reducing the overall irrecoverable cost base, the benefits of which have started to come through in the period. The market environment, new products and further asset management activities to support the existing tenant base and attract new tenants are all covered in the Asset Manager's report.

On 3 May 2011, the Company announced that it was in discussion with the Asset Manager with the objective of agreeing new management arrangements, following termination of the existing agreement as part of a review to ensure shareholders receive the best value and quality of service. Discussions are ongoing with the Asset Manager and the Board hopes that new management arrangements can be in place as soon as possible. The Board can also confirm that shareholders will be consulted and any new management arrangement will be made with the agreement of shareholders holding a majority of shares.

Whilst the Board hopes to come to a new agreement with the existing Asset Manager within a short time frame, there are several other options available should this not be possible. If a new agreement that is satisfactory to shareholders cannot be reached the Board would look at other options including internalising management, preferably with the existing team or a new team or appointing another external Asset Manager.

## Prospects and outlook
Trading conditions in Germany are improving, with demand from the SME sector for the flexible, affordable workspace offered by Sirius remaining positive. The German economy is forecasting a strong export-led recovery and this will improve confidence amongst our core customer base. Importantly, Sirius now has in place a structure to take advantage of a recovering German economy, with the costs of the business firmly under control. During the period, occupancy in 30 of the 38 sites either increased or remained 100% and the Company remains focused on achieving further significant increases in occupancy.

**Dick Kingston**
Chairman

# Asset Manager's report

***"A key barometer of market demand is monthly sales enquiries which now average at approximately 966 per month, compared to 521 in the same period last year."***

## In summary

The German based team has been re-organised to focus on increasing occupancy and maximising revenue streams and cost recoveries.

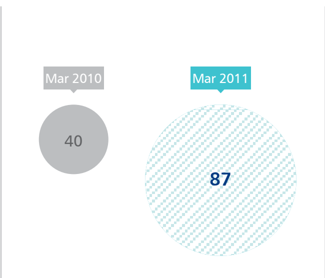
Monthly sales enquiries now average at approximately 966 per month, compared to 521 in the same period last year.

Our online strategy continues to be the key driver of the increased interest, with website traffic now increasing exponentially.

Sirius has introduced a range of innovative solutions to letting space.

We continue to streamline our cost efficiencies and drive occupancy.

**New customers (average per month)**




## Asset management

We are pleased to report that we have made good progress in this period under review. The business is now considerably leaner and well set up to win market share and capitalise on the significant investments made to date. Over the last 18 months the German based team has been re-organised to reflect the move from completing the development phase to focusing on increasing occupancy and maximising revenue streams and cost recoveries. As a result, the lettings performance has improved markedly and profitability of the business is increasing.

The programme to improve the recoverability of service charge costs and reduce the Company's overheads is progressing well and has made a significant contribution to the recurring operating profit improvements seen this year.

The appetite from the SME sector for our flexible offering remains positive; we are introducing new products to increase our appeal whilst carefully managing the existing tenant base.

## Marketing

A key barometer of market demand is monthly sales enquiries which now average at approximately 966 per month, compared to 521 in the same period last year. The sales force, which doubled in size to become a 40 strong team in late 2010, has adopted a systematic approach to generating and managing new leads. Our online strategy continues to be the key driver of the increased interest, with website traffic now increasing exponentially.

While Sirius is still a relatively young brand in Germany, it is becoming well known within the SME market and, as importantly, so is the expanding range of services the Company now provides. Sirius has introduced a range of innovative solutions to letting space, such as the highly successful smartspace initiative. Across the portfolio 32,199 sqm have now been converted into smartspace which is let at an average of €9.01 per sqm. In addition, a new low cost storage solution called Flexilager (flexistorage) which utilises previously unlettable space has proved very popular with existing tenants wishing to have storage facilities nearby and has brought in many new tenants to our sites. Alongside this, the conferencing and catering businesses have seen significant growth in demand in the period. We have been able to secure a number of large nationwide contracts for the use of meeting rooms and catering facilities with large corporate clients which have contributed to the net income generated from these products increasing by more than 160% in the period. This product has significant potential to grow and we look forward to reporting further progress at the half year stage.



smartspace range of products.

## New lettings

During the year under review we achieved new lettings of 159,292 sqm and we had 123,768 sqm of space vacated. The move-outs were skewed following two large tenants leaving last summer which together represented 26,824 sqm.

The monthly average rental value achieved on new lettings in this time was €4.41 per sqm, compared to the average rate across the portfolio of €4.13 per sqm. The rate decreased in the period because of a number of large tenant move-outs who were paying high rental rates including Siemens who account for 40% of the reduction. The number of new customers acquired has increased from an average of 40 per month in the period to March 2010 to an average of 87 per month for the period to March 2011; this is due to both an increase in enquiries and an improvement in overall sales conversion from 7.6% last year to 9.0% in the period. Our ability to provide flexible, mixed-use space is proving very attractive to the SME market, with office and storage, and office and light industrial solutions proving popular combinations.

Post the year end, during April and May, we achieved new lettings of more than 16,500 sqm with an average rate per sqm in excess of €5.50.

## Portfolio analysis

The average monthly rental rate achieved across the portfolio now stands at €4.13 per sqm. Our tenant base now consists of 1,521 tenants with an average lease length to the first break option of 3.1 years (excluding smartspace tenants). Given the flexible nature of our offering and leases, 872 tenants occupying 878,334 sqm with an annual rent of €11,841,874 are due for renewal over the twelve months to March 2012. Every tenant due for renewal has been assigned an appropriate manager with renewal discussions commencing well in advance of contract end dates. In the previous year, we made good progress in agreeing longer-term leases with the top 50 tenants and we are continuing to maintain proactive relationships with this core group. We are now looking to extend this level of engagement to the mid and smaller-tier tenants. We are aware of four tenants who will leave in the summer and who together represent 2.6% of occupancy. Nevertheless, we remain confident of offsetting this and achieving further significant increases in occupancy.

## Cost improvements and service charge recoveries

Due to our successful reduction of service charge costs, metering of utilities, better allocation of facility management costs, an increase in the service charge prepayments received from tenants and reduced overheads, the Company's non-recovered costs were €1.8m lower than last year and further improvements are expected next year. As mentioned in the interim statement we had to deal with a large number of one-off write-downs relating to prior year service charge balancing receivables and tenant debtors. We were in the difficult situation of being required to recover service charge balancing charges for the 2009 and 2010 years totalling in excess of €8m. We have gained much greater insight into this area in the period, hence the level of write-offs, and the issue going forward is significantly reduced as the combination of higher service charge prepayments and lower service charge costs reduces the burden significantly of chasing large balancing charges post year end. At the same time, we continue to streamline our cost efficiencies and drive occupancy through our online marketing efforts and initiatives which spread the service charge cost allocation over more tenants.

## Q&A

*With*

## Andrew Coombs

CEO, Sirius Facilities GmbH

**Q:** What will be your areas of focus in 2011 and how does this compare to the challenges of 2010?

**A:** Last year was a year of change; we were successful in reducing staff numbers by nearly 20% whilst improving productivity in most of areas of the business. This was a very necessary change as we moved from the initial development phase of the business model to a phase of optimisation which focused primarily on occupancy.

Over this next year we need to think past occupancy and start to drive revenue in a way that substantially improves the overall net asset value of the Sirius portfolio.

This will involve improving the processes we use to increase rates at which customers renew, whilst ensuring we get more customers to commit for longer lease terms. We will continue to focus on growing the meeting room business, as well as rolling out new premium priced products designed to yield higher revenues per square metre, from the occupied space we have been successful in filling over the preceding twelve months.

# Board of Directors

## Dick Kingston
(Non-executive Chairman), aged 63

Dick Kingston was chairman of Slough Estates' (now SEGRO plc) Continental European Business before retiring in 2006. He was finance director of Slough Estates from 1996 to 2005, having been financial controller from 1987. Previously he was at Hawker Siddeley as head of financial control and audit. He qualified as a chartered accountant with Whinney Murray & Co. (now Ernst & Young LLP) in London and Paris. Dick is currently a non-executive director of Alpha Pyrenees Trust Ltd.

## Robert Sinclair
(Non-executive Director), aged 61

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

## Walter Hens
(Non-executive Director), aged 63

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

## Christopher Fish
(Non-executive Director), aged 66

Christopher Fish retired as the managing director of Close International Private Banking in Guernsey in July 2004 but remains non-executive chairman of Close International Asset Management Holdings Limited and Close International Bank Holdings Limited. For the past 30 years Christopher has held positions as a director of the Royal Bank of Canada (Channel Islands) Limited and as the Americas offshore head of Coutts.

## Wessel Hamman
(Non-executive Director), aged 38

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

## Corporate details

### Registered office
PO Box 119
Martello Court
Admiral Park
St. Peter Port
Guernsey GY1 3HB
Channel Islands

### Registered number
Incorporated in Guernsey under The Companies (Guernsey) Laws, 2008, as amended, under number 46442.

### Company secretary and administrator
**Intertrust Fund Services (Guernsey) Limited**
PO Box 119
Martello Court
Admiral Park
St. Peter Port
Guernsey GY1 3HB
Channel Islands

### Asset manager
**Principal Capital Sirius Real Estate Asset Management Limited**
St James's House
23 King Street
London SW1Y 6QY

### Nominated adviser and broker
**Peel Hunt LLP**
11 Old Broad Street
London EC2N 1PH

### Property valuers
**DTZ Zadelhoff Tie Leung GmbH**
Eschersheimer
Landstrasse 6
60322 Frankfurt am Main
Germany

### Auditors
**KPMG Channel Islands Limited**
20 New Street
St. Peter Port
Guernsey GY1 4AN
Channel Islands

### Guernsey solicitors
**Carey Olsen**
PO Box 98
7 New Street
St. Peter Port
Guernsey GY1 4BZ
Channel Islands

### UK solicitors
**Simmons & Simmons**
CityPoint
One Ropemaker Street
London EC2Y 9SS

# Remuneration report

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

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

| | Year ended 31 March 2011 € | Year ended 31 March 2010 € |
|---|---|---|
| Richard D. Kingston | 100,000 | 100,000 |
| Christopher N. Fish | 30,000 | 30,000 |
| Robert A.G. Sinclair | 40,000 | 40,000 |
| Brian A. Myerson | — | — |
| Walter E.R. Hens | 50,000 | 8,333 |
| **Total** | 220,000 | 178,333 |

# Directors' report

The Directors submit their report with the audited financial statements for the year ended 31 March 2011. A review of the Group's business and results for the year is contained in the Chairman's statement and the Asset Manager's report, which should be read in conjunction with this report.

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

The Directors submit their report together with the Group's consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated cash flow statement and related notes for the financial year ended 31 March 2011, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU, and in accordance with any relevant enactment for the time being in force, and are in agreement with accounting records, which have been properly kept in accordance with Section 238 of the Companies (Guernsey) Law, 2008.

## Business of the Group

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

## Results for the year and dividends

The results and dividends are set out in the consolidated statement of changes in equity on page 17.

The Group's profit attributable to the equity holders of the Parent Company for the year was €2.5m (2010: loss €29.9m). In order to sustain investment in the portfolio, whilst also ensuring that cash resources are preserved, the Board has proposed not to pay a dividend for the year ended 31 March 2011.

## Valuation and net assets

### (i) Valuation

DTZ Zadelhoff Tie Leung GmbH valued the Group's investment properties at €505.5m as at 31 March 2011 (2010: €500.0m).

### (ii) Net assets

The investment property valuation has been incorporated into the financial statements for the year ended 31 March 2011 and the net assets of the Group at that date amounted to €210.0m (2010: €207.3m).

## Directors

| | Date appointed | Date resigned |
|---|---|---|
| Richard D. Kingston | 11 April 2007 | — |
| Christopher N. Fish | 11 April 2007 | — |
| Robert A.G. Sinclair | 11 April 2007 | — |
| Brian A. Myerson | 22 September 2008 | 15 July 2010 |
| Walter E.R. Hens | 18 February 2010 | — |
| Wessel J. Hamman | 17 May 2011 | — |

Robert A.G. Sinclair is the Chairman of the Audit Committee.

# Directors' report continued

## Substantial shareholders

At 2 May 2011, 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 |
|---|---|---|
| Clearance Capital LLP | 75,525,402 | 24.99 |
| Weiss Capital LLC | 38,783,804 | 12.83 |
| Laxey Partners (UK) Limited | 29,808,579 | 9.86 |
| Principle Capital Investment Trust plc | 27,707,021 | 9.17 |
| Alpine Woods Capital Investors LLC | 12,839,444 | 4.25 |
| Taube Hodson Stonex Partners LLP | 10,847,790 | 3.59 |

## Treasury operations and financial instruments

The Group's policy in relation to financial risk management and use of financial instruments is set out in note 19 to the financial statements.

## Auditors and disclosure of information to auditors

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

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

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

By order of the Board

**Intertrust Fund Services (Guernsey) Limited**
Secretary
3 June 2011

# Statement of Directors' responsibilities
*in respect of the directors' report and the financial statements*

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

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

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

# Independent auditors' report

*to the members of Sirius Real Estate Limited*

We have audited the Group financial statements (the "financial statements") of Sirius Real Estate Limited (the "Company") for the year ended 31 March 2011 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the EU.

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

## Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities set out on page 13, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## Scope of the audit of the financial statements

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

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2011 and of its profit for the year then ended;
- are in accordance with International Financial Reporting Standards as adopted by the EU; and
- comply with the Companies (Guernsey) Law, 2008.

## Matters on which we are required to report by exception

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

- the Company has not kept proper accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

**KPMG Channel Islands Limited**
Chartered Accountants
Guernsey
3 June 2011

# Consolidated statement of comprehensive income

*for the year ended 31 March 2011*

| | Notes | **Year ended 31 March 2011 €000** | Year ended 31 March 2010 €000 |
|---|---|---|---|
| Gross rental income | 5 | **45,568** | 44,002 |
| Direct costs | 6 | **(22,922)** | (20,162) |
| **Net rental income** | | **22,646** | 23,840 |
| Deficit on revaluation of investment properties | 12 | **(367)** | (29,969) |
| Administrative expenses | 6 | **(4,141)** | (5,147) |
| Other expenses | 6 | **(2,175)** | (2,143) |
| **Operating profit/(loss)** | | **15,963** | (13,419) |
| Finance income | 8 | **126** | 93 |
| Finance expense | 8 | **(17,832)** | (17,460) |
| Change in fair value of derivative financial instruments | | **5,184** | (940) |
| **Profit/(loss) before taxation** | | **3,441** | (31,726) |
| Taxation | 9 | **(711)** | 1,712 |
| **Profit/(loss) for the year** | | **2,730** | (30,014) |
| **Profit/(loss) attributable to:** | | | |
| Owners of the Company | | **2,519** | (29,889) |
| Non-controlling interests | | **211** | (125) |
| **Profit/(loss) for the year** | | **2,730** | (30,014) |
| **Earnings per share** | | | |
| Basic and diluted, for profit/(loss) for the year attributable to ordinary equity holders of the Parent Company | 10 | **0.83c** | (9.89)c |

The notes on pages 19 to 36 form an integral part of these financial statements.

Review of the Year

Corporate Governance

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# Consolidated statement of financial position

*as at 31 March 2011*

| | Notes | 2011 €000 | 2010 €000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment properties | 12 | 505,500 | 500,010 |
| Investment property under construction | 13 | — | — |
| Plant and equipment | | 4,679 | 4,754 |
| **Total non-current assets** | | 510,179 | 504,764 |
| **Current assets** | | | |
| Trade and other receivables | 15 | 7,272 | 12,110 |
| Prepayments | | 233 | 133 |
| Derivative financial instruments | | 165 | — |
| Cash and cash equivalents | 16 | 23,583 | 33,401 |
| **Total current assets** | | 31,253 | 45,644 |
| **Total assets** | | 541,432 | 550,408 |
| **Current liabilities** | | | |
| Trade and other payables | 17 | (17,162) | (18,445) |
| Interest-bearing loans and borrowings | 18 | (7,669) | (6,860) |
| Current tax liabilities | | (707) | (381) |
| Derivative financial instruments | | (9,444) | (14,463) |
| **Total current liabilities** | | (34,982) | (40,149) |
| **Non-current liabilities** | | | |
| Trade payables | | — | (450) |
| Interest-bearing loans and borrowings | 18 | (294,546) | (300,930) |
| Deferred tax liabilities | 9 | (1,924) | (1,629) |
| **Total non-current liabilities** | | (296,470) | (303,009) |
| **Total liabilities** | | (331,452) | (343,158) |
| **Net assets** | | 209,980 | 207,250 |
| **Equity** | | | |
| Issued share capital | 21 | — | — |
| Other distributable reserve | | 300,111 | 300,111 |
| Retained earnings | | (91,150) | (93,669) |
| **Total equity attributable to the equity holders of the Parent Company** | | 208,961 | 206,442 |
| Non-controlling interests | | 1,019 | 808 |
| **Total equity** | | 209,980 | 207,250 |

The financial statements on pages 15 to 18 were approved by the Board of Directors on 3 June 2011 and were signed on its behalf by:

**Robert Sinclair**
Director

**Registered no:**
46442

The notes on pages 19 to 36 form an integral part of these financial statements.

# Consolidated statement of changes in equity

*for the year ended 31 March 2011*

| | Issued share capital €000 | Other distributable reserve €000 | Retained earnings €000 | Total equity attributable to holders of the Parent Company €000 | Non-controlling interests €000 | Total equity €000 |
|---|---|---|---|---|---|---|
| **As at 31 March 2009** | — | 300,111 | (63,780) | 236,331 | 933 | 237,264 |
| Loss for the year | — | — | (29,889) | (29,889) | (125) | (30,014) |
| **As at 31 March 2010** | — | 300,111 | (93,669) | 206,442 | 808 | 207,250 |
| Profit for the year | — | — | 2,519 | 2,519 | 211 | 2,730 |
| **As at 31 March 2011** | **—** | **300,111** | **(91,150)** | **208,961** | **1,019** | **209,980** |

The notes on pages 19 to 36 form an integral part of these financial statements.

# Consolidated cash flow statement

*for the year ended 31 March 2011*

| | Notes | Year ended 31 March 2011 €000 | Year ended 31 March 2010 €000 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit/(loss) before tax | | **3,441** | (31,726) |
| Deficit on revaluation of investment properties | 12 | **367** | 29,969 |
| Change in fair value of derivative financial instruments | | **(5,184)** | 940 |
| Depreciation | 6 | **881** | 610 |
| Finance income | 8 | **(126)** | (93) |
| Finance expense | 8 | **17,832** | 17,460 |
| **Cash flows from operations before changes in working capital** | | **17,211** | 17,160 |
| **Changes in working capital** | | | |
| Decrease/(increase) in trade and other receivables | | **4,665** | (4,450) |
| Increase/(decrease) in trade and other payables | | **3,080** | (1,008) |
| Taxation paid | | **(121)** | (290) |
| **Cash flows from operating activities** | | **24,835** | 11,412 |
| **Investing activities** | | | |
| Purchase of investment properties | | **—** | (1,442) |
| Development expenditure | | **(9,303)** | (25,672) |
| Purchase of plant and equipment | | **(901)** | (1,356) |
| Proceeds on disposal of plant and equipment | | **56** | — |
| Interest received | | **126** | 93 |
| **Cash flows used in investing activities** | | **(10,022)** | (28,377) |
| **Financing activities** | | | |
| Proceeds from loans | | **2,490** | 44,725 |
| Repayment of loans | | **(9,121)** | (8,222) |
| Finance charges paid | | **(18,000)** | (15,789) |
| **Cash flows from financing activities** | | **(24,631)** | 20,714 |
| **(Decrease)/increase in cash and cash equivalents** | | **(9,818)** | 3,749 |
| Cash and cash equivalents at the beginning of the year | | **33,401** | 29,652 |
| **Cash and cash equivalents at the end of the year** | 16 | **23,583** | 33,401 |

The notes on pages 19 to 36 form an integral part of these financial statements.

# Notes to the consolidated financial statements

*for the year ended 31 March 2011*

## 1. General information

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

The consolidated financial statements of Sirius Real Estate Limited comprise the Company and its subsidiaries (together referred to as the "Group"). The Group financial statements have been prepared for the year ended 31 March 2011.

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

## 2. Significant accounting policies

### (a) Basis of preparation

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

The Group's business activities, financial position including borrowing facilities and factors likely to affect its future development are described in the Chairman's statement and Asset Manager's report on pages 4 to 7. In addition note 19 to the financial statements includes the Group's objectives and policies for managing its capital, credit risk, currency risk, liquidity risk and interest rate risk.

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

#### Asset management agreement

On 3 May 2011, the Company announced that it was in discussion with the Asset Manager with the objective of agreeing new management arrangements, following termination of the existing agreement as part of a review to ensure shareholders receive the best value and quality of service. Discussions are ongoing with the Asset Manager and the Board hopes that new management arrangements can be in place as soon as possible. The Board can also confirm that shareholders will be consulted and any new management arrangement will be made with the agreement of the majority of shareholders.

Whilst the Board hopes to come to a new agreement with the existing Asset Manager within a short time frame, there are several other options available should this not be possible. If a new agreement that is satisfactory to shareholders cannot be reached, the Board would look at other options including internalising management, preferably with the existing team or a new team or appointing another external Asset Manager.

#### Loan facility

The Group's property portfolio is funded by external debt facilities. One of these facilities is provided by RBS with an outstanding balance of €93m expires on 15 October 2012 and in anticipation of this the Group's Directors and Asset Manager will begin negotiations with them in due course and has not, at this stage, sought any written commitment that the facility will be renewed.

In view of this and after making enquiries, the Directors have a reasonable expectation that the Group has adequate financial resources to manage its business risks and to continue in operational existence for the foreseeable future. Accordingly these consolidated financial statements have been prepared on a going concern basis as it is the view of the Directors that this is the most appropriate basis of preparation.

### (b) Statement of compliance

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

The consolidated financial statements were authorised for issue by the Board of Directors on 3 June 2011.

### (c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Sirius Real Estate Limited and its subsidiaries as at 31 March 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

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

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

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

### (d) Single statement of comprehensive income

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

# Notes to the consolidated financial statements continued

*for the year ended 31 March 2011*

## 2. Significant accounting policies continued

### (e) Acquisitions

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

### (f) Foreign currency translation

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

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

### (g) Revenue recognition

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

#### Rental income

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

Fixed or determinable rental increases which do not represent direct compensation for underlying cost increases or capital expenditure are recognised on a straight-line basis over the term of the lease.

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

#### Interest income

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

#### Service charges

The Directors consider that, for the amounts received in respect of service charges, the Group is acting as agent rather than principal and consequently such income is not treated as revenue, rather it is set off against the costs to which such income relates.

### (h) Leases

#### Group as lessor

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

### (i) Income tax

#### Current income tax

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

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

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

#### Deferred income tax

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

- where the temporary difference arises from the initial recognition of goodwill, or of an asset, or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred tax assets are only recognised to the extent that it is foreseeable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

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

## 2. Significant accounting policies continued

### (j) Sales tax

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

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

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

### (k) Investment properties

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

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

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

The fair value of the Group's investment properties at 31 March 2011 has been arrived at on the basis of a valuation carried out at that date by DTZ Zadelhoff Tie Leung GmbH, an independent valuer.

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

### (l) Investment property under construction

Property that is being constructed or developed for future use as investment property is accounted for as an investment property under construction until construction or development is complete and which is then reclassified as investment property.

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

### (m) Plant and equipment

#### Recognition and measurement

Items of plant and equipment are stated at cost less accumulated depreciation and impairment losses.

#### Depreciation

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

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

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

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

### (n) Trade receivables

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

### (o) 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.

### (p) Cash and cash equivalents

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

# Notes to the consolidated financial statements continued

*for the year ended 31 March 2011*

## 2. Significant accounting policies continued

### (q) Bank borrowings

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

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

### (r) Trade payables

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

### (s) Equity instruments

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

### (t) Dividends

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

### (u) Impairment excluding investment properties

#### (i) Financial assets

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

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments; and
- it becomes probable that the debtor will enter bankruptcy or other financial reorganisation.

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

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

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

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

#### (ii) Non-financial assets

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

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

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

### (v) Derivative financial instruments

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

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

## 2. Significant accounting policies continued

### (w) Standards and interpretations in issue and not yet effective

- IAS 12 Amendment*: 'Deferred Tax: Recovery of Underlying Assets' – for accounting periods commencing on or after 1 July 2011.
- IFRS 9 'Financial Instruments (replacement of IAS 39)'* – for accounting periods commencing on or after 1 January 2013.

* Still to be endorsed by EU.

The Directors anticipate that the adoption of these standards and interpretations in future periods will not have a material impact on the financial statements of the Group except for IFRS 9 'Financial Instruments' which becomes mandatory for the Group's 2013 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

## 3. Significant accounting judgements, estimates and assumptions

### Judgements

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

#### Operating lease commitments – Group as lessor

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

#### Estimates and assumptions

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

#### Valuation of investment properties

The fair value of the Group's investment properties of €505.5m (2010: €500.0m) was determined by DTZ Zadelhoff Tie Leung GmbH, an independent valuer. The valuation is based upon assumptions including future rental income, anticipated maintenance costs and the appropriate discount rate. The properties are valued on the basis of a ten year discounted cash flow model supported by comparable evidence. The discounted cash flow calculation is a valuation of rental income considering non-recoverable costs and applying a discount rate for the current income risk over a ten year period. After ten years a determining residual value (exit scenario) is calculated. A cap rate is applied to the more uncertain future income, discounted to a present value.

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

## 4. Operating segments

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

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

## 5. Revenue

| | **Year ended 31 March 2011 €000** | Year ended 31 March 2010 €000 |
|---|---|---|
| Rental income from investment properties | **45,568** | 44,002 |

# Notes to the consolidated financial statements continued
*for the year ended 31 March 2011*

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

### Direct costs

| | Notes | Year ended 31 March 2011 €000 | Year ended 31 March 2010 €000 |
|---|---|---|---|
| Service charge income | | (24,995) | (26,570) |
| Service charge expenditure and other property costs | | 43,292 | 41,726 |
| **Irrecoverable property costs** | | 18,297 | 15,156 |
| Property management fee | 24 | 1,559 | 1,748 |
| Asset management fee | 24 | 2,974 | 2,998 |
| Development fee | 24 | 92 | 260 |
| | | 22,922 | 20,162 |

### Administrative expenses

| | Year ended 31 March 2011 €000 | Year ended 31 March 2010 €000 |
|---|---|---|
| Audit fee | 252 | 251 |
| Legal and professional fees | 2,598 | 2,743 |
| Other administration costs | 909 | 904 |
| Non-recurring costs | 382 | 1,249 |
| | 4,141 | 5,147 |

During the year fees of €92,641 (2010: €436,623) were incurred with the auditors and their associates in respect of other non-audit services.

### Other expenses

| | Year ended 31 March 2011 €000 | Year ended 31 March 2010 €000 |
|---|---|---|
| Directors' fees | 220 | 178 |
| Depreciation | 881 | 610 |
| Bank fees | 174 | 467 |
| Marketing and other expenses | 900 | 888 |
| | 2,175 | 2,143 |

## 7. Employee costs
The Group has no full-time employees and the Board of Directors consists of five Non-executive Directors. The employees working for the Group are all employed by Principle Capital Sirius Real Estate Asset Management Ltd, the Asset Manager or Sirius Facilities GmbH, the German operating company of the Asset Manager.

## 8. Finance income and expense

| | Year ended 31 March 2011 €000 | Year ended 31 March 2010 €000 |
|---|---|---|
| Bank interest income | 126 | 93 |
| **Finance income** | **126** | **93** |
| Bank interest expense | (16,760) | (16,355) |
| Amortisation of capitalised finance costs | (1,072) | (1,105) |
| **Finance expense** | **(17,832)** | **(17,460)** |
| **Net finance expense** | **(17,706)** | **(17,367)** |

## 9. Taxation

### Consolidated statement of comprehensive income

| | Year ended 31 March 2011 €000 | Year ended 31 March 2010 €000 |
|---|---|---|
| **Current income tax** | | |
| Current income tax charge | (583) | (438) |
| Adjustment in respect of prior periods | 167 | 1,297 |
| | (416) | 859 |
| **Deferred tax** | | |
| Relating to origination and reversal of temporary differences | (295) | 853 |
| | (295) | 853 |
| **Income tax (expense)/credit reported in the statement of comprehensive income** | **(711)** | **1,712** |

The income tax rate applicable to the Company in Guernsey is nil. The current income tax charge of €583,000 represents tax charges on profit arising in Germany that is subject to corporate income tax of 15.83%. The effective income tax rate for the period differs from the standard rate of corporation tax in Germany. The differences are explained below:

| | Year ended 31 March 2011 €000 | Year ended 31 March 2010 €000 |
|---|---|---|
| **Profit/(loss) before tax** | **3,441** | **(31,726)** |
| Profit/(loss) before tax multiplied by rate of corporation tax in Germany of 15.83% (2010: 15.83%) | 545 | (5,022) |
| Effects of: | | |
| Income exempt from tax | (3,911) | (3,048) |
| Tax allowable depreciation | (1,653) | (1,634) |
| Non-taxable items including revaluation movements | 995 | 6,156 |
| Tax losses utilised | (55) | (188) |
| Tax losses not utilised | 4,755 | 4,085 |
| Relating to origination and reversal of temporary differences | 295 | (853) |
| Adjustments in respect of prior periods | (167) | (1,297) |
| Other | (93) | 89 |
| **Total income tax expense/(credit) in the statement of comprehensive income (as above)** | **711** | **(1,712)** |

# Notes to the consolidated financial statements continued

*for the year ended 31 March 2011*

## 9. Taxation continued

### Deferred tax liability

| | 2011 €000 | 2010 €000 |
|---|---|---|
| Opening balance | 1,629 | 2,482 |
| Revaluation of investment properties and derivative financial instruments to fair value | 295 | (853) |
| **Closing balance** | **1,924** | **1,629** |

The Group has tax losses of €75,344,507 (2010: €53,995,477) that are available for offset against future profits of its subsidiaries in which the losses arose. Deferred tax assets have not been recognised in respect of the revaluation losses on investment properties and interest rate swaps as they may not be used to offset taxable profits elsewhere in the Group and realisation is not assured.

## 10. Earnings per share

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

| | Year ended 31 March 2011 €000 | Year ended 31 March 2010 €000 |
|---|---|---|
| **Earnings** | | |
| Profit/(loss) for the year attributable to the equity holders of the parent | 2,519 | (29,889) |
| **Earnings** | **2,519** | **(29,889)** |
| Add back revaluation deficits | 438 | 29,093 |
| Add back change in fair value of derivative instruments | (5,184) | 940 |
| Add back non-recurring costs | 382 | 1,499 |
| **Adjusted earnings** | **(1,845)** | **1,643** |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 302,223,176 | 302,223,176 |
| Weighted average of ordinary shares for the purpose of adjusted earnings per share | 302,223,176 | 302,223,176 |
| **Basic and diluted earnings per share** | **0.83c** | **(9.89)c** |
| **Adjusted earnings per share** | **(0.61)c** | **0.54c** |

The number of shares has been reduced by 25,576,824 shares that are held by the Company as Treasury Shares at 31 March 2011, for the calculation of basic and adjusted earning per share.

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

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

## 11. Net assets per share

| | 2011 €000 | 2010 €000 |
|---|---|---|
| **Net assets** | | |
| Net assets for the purpose of assets per share (assets attributable to the equity holders of the parent) | 208,961 | 206,442 |
| Deferred tax relating to investment properties | 1,921 | 1,629 |
| Derivative financial instruments | 9,279 | 14,463 |
| **Adjusted net assets attributable to equity holders of the parent** | 220,161 | 222,534 |
| **Number of shares** | | |
| Number of ordinary shares for the purpose of net assets per share | 302,223,176 | 302,223,176 |
| **Net assets per share** | 69.14c | 68.31c |
| **Adjusted net assets per share** | 72.85c | 73.63c |

The number of shares has been reduced by 25,576,824 shares that are held by the Company as Treasury Shares at 31 March 2011, for the calculation of basic and adjusted earning per share.

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

## 12. Investment properties

| | 2011 €000 | 2010 €000 |
|---|---|---|
| Opening balance | 500,010 | 500,400 |
| Additions | 5,857 | 29,579 |
| Deficit on revaluation | (367) | (29,969) |
| **Closing balance** | 505,500 | 500,010 |

The fair value of the Group's investment properties at 31 March 2011 has been arrived at on the basis of a valuation carried out by DTZ Zadelhoff Tie Leung GmbH, an independent valuer.

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

The weighted average lease duration was 3.1 years.

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

## 13. Investment property under construction

| | 2011 €000 | 2010 €000 |
|---|---|---|
| Opening balance | — | 2,222 |
| Additions | — | — |
| Transfers | — | (2,222) |
| **Closing balance** | — | — |

# Notes to the consolidated financial statements continued

*for the year ended 31 March 2011*

## 14. Plant and equipment

| | Plant and equipment €000 | Fixtures and fittings €000 | Total €000 |
|---|---|---|---|
| **Cost** | | | |
| As at 31 March 2010 | 5,044 | 710 | 5,754 |
| Additions in year | 261 | 601 | 862 |
| Disposals in year | (68) | — | (68) |
| **As at 31 March 2011** | **5,237** | **1,311** | **6,548** |
| **Depreciation** | | | |
| As at 31 March 2010 | (836) | (164) | (1,000) |
| Charge for year | (670) | (211) | (881) |
| Disposals in year | 12 | — | 12 |
| **As at 31 March 2011** | **(1,494)** | **(375)** | **(1,869)** |
| **Net book value as at 31 March 2011** | **3,743** | **936** | **4,679** |
| **Cost** | | | |
| As at 31 March 2009 | 3,810 | 89 | 3,899 |
| Additions in year | 1,575 | 351 | 1,926 |
| Transfers in year | (270) | 270 | — |
| Disposals in year | (71) | — | (71) |
| As at 31 March 2010 | 5,044 | 710 | 5,754 |
| **Depreciation** | | | |
| As at 31 March 2009 | (423) | (24) | (447) |
| Charge for year | (502) | (108) | (610) |
| Transfers in year | 32 | (32) | — |
| Disposals in year | 57 | — | 57 |
| As at 31 March 2010 | (836) | (164) | (1,000) |
| Net book value as at 31 March 2010 | 4,208 | 546 | 4,754 |

## 15. Trade and other receivables

| | **2011 €000** | 2010 €000 |
|---|---|---|
| Trade receivables | **5,577** | 6,112 |
| Other receivables | **1,695** | 5,998 |
| | **7,272** | 12,110 |

## 16. Cash and cash equivalents

| | **2011 €000** | 2010 €000 |
|---|---|---|
| Cash at banks and in hand | **23,583** | 33,401 |

Cash at banks earns interest at floating rates based on daily bank deposit rates. The fair value of cash is €23,583,498 (2010: €33,401,072).

As at 31 March 2011 €6,717,701 of cash is held in blocked accounts. Of this €1,370,898 is under the control of lenders who have made loans to the Group to be used for capital expenditure on the properties. Balances relating to deposits received from tenants total €1,941,435. In addition an amount of €15,546 relates to funds held on an escrow account for a supplier and an amount of €3,389,822 relates to amounts reserved for future interest payments.

## 16. Cash and cash equivalents continued

As at the previous year end additional cash was trapped as part of the bank covenant of the ABN Amro Bank N.V. loan being below the required interest coverage ratio of 1.30. On 15 October 2010 the Group made an early repayment of €1,111,606 which resulted in the interest coverage ratio going above 1.30 and resolving the cash trap. Consequently all amounts were released and therefore as at 31 March 2011 there are no remaining trapped amounts.

## 17. Trade and other payables

| | 2011 €000 | 2010 €000 |
|---|---|---|
| Trade payables | 5,665 | 8,394 |
| Accrued expenses | 3,991 | 3,585 |
| Accrued interest | 1,107 | 2,401 |
| Other payables | 6,283 | 3,430 |
| Related party payables | 116 | 635 |
| | 17,162 | 18,445 |

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

- trade payables are non-interest bearing and it is the Group's policy to pay within the stated terms which vary from 14 to 60 days. The exceptions are certain development suppliers where payment plans have been agreed to extend the payment days to a longer period;
- other payables are non-interest bearing and, as above, are paid within stated terms; and
- for terms and conditions relating to related parties, refer to note 24.

## 18. Interest-bearing loans and borrowings

| | Effective interest rate % | Maturity | 2011 €000 | 2010 €000 |
|---|---|---|---|---|
| **Current** | | | | |
| ABN Amro loan – fixed rate facility | 5.85 | 15 October 2012 | 2,156 | 1,808 |
| Berlin Hannoversche Hypothekenbank AG loan – fixed rate facility | 5.46 | 31 March 2013 | 1,290 | 1,161 |
| Berlin Hannoversche Hypothekenbank AG loan – hedged floating rate facility | Hedged floating* | 31 March 2013–30 June 2013 | 4,012 | 3,778 |
| Berlin Hannoversche Hypothekenbank AG loan – capped floating rate facility | Capped floating** | 31 December 2013 | 1,286 | 1,216 |
| Capitalised finance charges on all loans | | | (1,075) | (1,103) |
| | | | 7,669 | 6,860 |
| **Non-current** | | | | |
| ABN Amro loan – fixed rate facility | 5.85 | 15 October 2012 | 91,217 | 94,484 |
| Berlin Hannoversche Hypothekenbank AG loan – fixed rate facility | 5.46 | 31 March 2013 | 49,661 | 48,498 |
| Berlin Hannoversche Hypothekenbank AG loan – hedged floating rate facility | Hedged floating* | 31 March 2013–30 June 2013 | 113,108 | 117,120 |
| Berlin Hannoversche Hypothekenbank AG loan – capped floating rate facility | Capped floating** | 31 December 2013 | 41,605 | 42,891 |
| Capitalised finance charges on all loans | | | (1,045) | (2,063) |
| | | | 294,546 | 300,930 |
| **Total** | | | 302,215 | 307,790 |

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# Notes to the consolidated financial statements continued
*for the year ended 31 March 2011*

## 18. Interest-bearing loans and borrowings continued
The borrowings are repayable as follows:

| | 2011 €000 | 2010 €000 |
|---|---|---|
| On demand or within one year | 8,744 | 7,963 |
| In the second year | 190,174 | 8,679 |
| In the third to fifth years inclusive | 105,417 | 294,314 |
| **Total** | 304,335 | 310,956 |

* The average fixed rate of the swap contracts is 4.74%, plus an average margin of 1.12% bringing the total cost to 5.86%.

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

The Group has pledged 34 (2010: 33) properties to secure the interest-bearing debt facilities granted to the Group. The 34 properties had a combined valuation of €465,310,000 as at 31 March 2011 (2010: €453,970,000).

### ABN Amro Bank N.V.
This facility had €100,951,940 drawn down, of which €7,579,062 (2010: €4,659,884) has been amortised, resulting in a net liability of €93,372,878 (2010: €96,292,056) at year end. The interest is fixed at a weighted average interest rate of 5.85% per annum. The final repayment date is 15 October 2012. This loan is secured over 16 property assets and is subject to various covenants with which the Group has complied.

### Berlin Hannoversche Hypothekenbank AG
During the year the Group received an additional facility to Portfolio I of €2,500,000 which was fully drawn down. In total facilities of €226,500,000 have been granted by Berlin-Hannoversche Hypothekenbank AG which are all fully drawn down. To date €15,538,184 has been amortised, resulting in a liability of €210,961,816 at 31 March 2011.

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

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

| | Total loan outstanding at 31 March 2011 €000 | Value of secured properties at 31 March 2011 €000 | Loan-to-value ratio at 31 March 2011 | Loan-to-value covenant at 31 March 2011 | Interest cover ratio at 31 March 2011 | Debt service cover ratio at 31 March 2011 | Interest cover/ debt service cover ratio covenant at 31 March 2011 |
|---|---|---|---|---|---|---|---|
| ABN Amro loan | 93,373 | 132,710 | 70.4% | 85.0% | 1.34 | n/a | 1.25 |
| Berlin-Hannoversche Hypothekenbank AG loan – Portfolio I, II and III | 210,962 | 332,600 | 63.4% | 77.0% | n/a | 1.48 | 1.10 |
| Unencumbered properties | — | 40,190 | n/a | | | | |
| **Total** | 304,335 | 505,500 | 60.2% | | | | |

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

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest rate risk. The risk management policies employed by the Group to manage these risks are discussed on the next page.

## 19. Financial risk management objectives and policies continued

### Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the statement of financial position date. In the event of a default by an occupational tenant, the Group will suffer a rental shortfall and incur additional costs, including legal expenses in maintaining, insuring and marketing the property until it is re-let. The Asset Manager monitors the tenants in order to anticipate and minimise the impact of defaults by occupational tenants, as well as ensuring that the Group has a diversified tenant base.

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

| | 2011 €000 | 2010 €000 |
|---|---|---|
| Trade receivables | **5,577** | 6,112 |
| Other debtors | **1,695** | 5,998 |
| Prepayments | **233** | 133 |
| Derivative financial instruments | **165** | — |
| Cash and cash equivalents | **23,583** | 33,401 |
| | **31,253** | 45,644 |

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

| Group | Gross 2011 €000 | Impairment 2011 €000 | Gross 2010 €000 | Impairment 2010 €000 |
|---|---|---|---|---|
| Past due 0–30 days | **5,143** | **(621)** | 4,282 | (599) |
| Past due 31–120 days | **820** | **(65)** | 1,634 | (272) |
| More than 120 days | **2,511** | **(2,211)** | 2,235 | (1,168) |
| | **8,474** | **(2,897)** | 8,151 | (2,039) |

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

| | 2011 €000 | 2010 €000 |
|---|---|---|
| Balance at 31 March | **(2,039)** | (996) |
| Impairment loss recognised | **(858)** | (1,043) |
| **Balance at 31 March** | **(2,897)** | (2,039) |

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.

Included in the Group's trade receivables are debtors with carrying amounts of €5,576,688 (2010: €6,112,179) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

### Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group has procedures with the objective of minimising such losses, such as maintaining sufficient cash and other highly liquid current assets and having available an adequate amount of committed credit facilities. The Group prepares cash flow forecasts and continually monitors their ongoing commitments. Cash and cash equivalents are placed with financial institutions on a short-term basis reflecting the Group's desire to maintain a high level of liquidity in order to meet any unexpected liabilities that may arise.

# Notes to the consolidated financial statements continued

*for the year ended 31 March 2011*

## 19. 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 2011 based on contractual undiscounted payments:

| Year ended 31 March 2011 | Bank loans €000 | Derivative financial instruments €000 | Trade and other payables €000 | Total €000 |
|---|---|---|---|---|
| Undiscounted amounts payable in: | | | | |
| Six months or less | (10,896) | (1,686) | (17,163) | (29,745) |
| Six months to one year | (10,882) | (1,657) | — | (12,539) |
| One to two years | (200,911) | (2,712) | — | (203,623) |
| Two to five years | (106,972) | (380) | — | (107,352) |
| | (329,661) | (6,435) | (17,163) | (353,259) |
| Interest | 25,326 | 6,435 | — | 31,761 |
| | **(304,335)** | **—** | **(17,163)** | **(321,498)** |

| Year ended 31 March 2010 | Bank loans €000 | Derivative financial instruments €000 | Trade and other payables €000 | Total €000 |
|---|---|---|---|---|
| Undiscounted amounts payable in: | | | | |
| Six months or less | (10,061) | (2,236) | (17,889) | (30,186) |
| Six months to one year | (10,157) | (2,201) | (556) | (12,914) |
| One to two years | (21,053) | (3,870) | (450) | (25,373) |
| Two to five years | (305,643) | (3,806) | — | (309,449) |
| | (346,914) | (12,113) | (18,895) | (377,922) |
| Interest | 35,958 | 12,113 | — | 48,071 |
| | (310,956) | — | (18,895) | (329,851) |

### Currency risk

There is no significant foreign currency risk as the assets and liabilities of the Group are maintained in euros.

### Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's long-term floating rate debt obligations. The Group's policy is to mitigate interest rate risk by ensuring that a minimum of 85% of its total borrowing is at fixed interest rates, by taking out fixed rate loans or derivative financial instruments to hedge interest rate exposure.

A change in interest will only have an impact on the floating loans capped due to the fact that the other loans have a general fixed interest or they are effectively fixed by a swap. An increase in 100 basis points in interest yield would result in a decreased post tax profit in the consolidated statement of comprehensive income of €0.4m (excluding the movement on derivative financial instruments) and a decrease in 100 basis points in interest yield would result in an increased post tax profit in the consolidated statement of comprehensive income of €0.4m (excluding the movement on derivative financial instruments).

### Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue shares. No changes were made in the objectives, policies or processes during the year ended 31 March 2011.

The Company holds 25,576,824 of its own shares which continue to be held as treasury shares. No share buybacks were made in the year.

The Group monitors capital using a gross debt to property assets ratio, which was 60.2% as at 31 March 2011 (2010: 62.2%).

The Group is not subject to externally imposed capital requirements.

## 20. Financial instruments

### Fair values

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

| | 2011 Carrying amount €000 | 2011 Fair value €000 | 2010 Carrying amount €000 | 2010 Fair value €000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash | **23,583** | **23,583** | 33,401 | 33,401 |
| Trade receivables | **5,577** | **5,577** | 6,112 | 6,112 |
| Derivative financial instruments | **165** | **165** | — | — |
| **Financial liabilities** | | | | |
| Trade payables | **5,665** | **5,665** | 8,394 | 8,394 |
| Derivative financial instruments | **9,444** | **9,444** | 14,463 | 14,463 |
| Interest bearing loans and borrowings: | | | | |
| Floating rate borrowings – hedged | **117,120** | **117,120** | 120,898 | 120,898 |
| Floating rate borrowings – capped | **42,891** | **42,891** | 44,107 | 44,107 |
| Fixed rate borrowings | **144,324** | **149,616** | | |

# Notes to the consolidated financial statements continued
*for the year ended 31 March 2011*

## 20. Financial instruments continued
### Interest rate risk continued

| 2010 | Within 1 year €000 | 1–2 years €000 | 2–3 years €000 | 3–4 years €000 | 4–5 years €000 | Total €000 |
|---|---|---|---|---|---|---|
| ABN Amro loan | (1,808) | (2,155) | (92,329) | — | — | (96,292) |
| Berlin Hannoversche Hypothekenbank AG loan: | | | | | | |
| Fixed and floating rate hedged | (4,939) | (5,237) | (95,209) | (65,172) | — | (170,557) |
| Floating rate capped | (1,216) | (1,286) | (1,360) | (40,245) | — | (44,107) |
| Cash assets | 33,401 | — | — | — | — | 33,401 |

## 21. Issued share capital

| Authorised | Number of shares | Share capital € |
|---|---|---|
| Ordinary shares of no par value | Unlimited | — |
| **As at 31 March 2011** | **Unlimited** | **—** |

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

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

The Company holds 25,576,824 of its own shares which continue to be held as treasury. No share buybacks were made in the year.

## 22. Other reserves
### Other distributable reserve
The other distributable reserve is a distributable reserve that was created for the payment of dividends and for the buyback of shares and is €300,111,000 in total at the year end which is the same as last year.

## 23. Dividends
In order to sustain investment in the Group's portfolio whilst also ensuring cash resources are preserved, the Board has proposed to not pay a dividend in the year ended 31 March 2011.

## 24. Related parties
Brian Myerson was a Director of the Company (he resigned on 15 July 2010) and he is also a director of Principle Capital Holdings S.A. ("PCH"). Principle Capital Sirius Real Estate Asset Management Limited, which is the Asset Manager to the Group, is a joint venture between a subsidiary of PCH, Frank and Kevin Oppenheim and certain other individuals.

Sirius Facilities GmbH is a company that is controlled by Frank and Kevin Oppenheim.

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

There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2011, the Group has not recorded any impairment of receivables relating to amounts owed by related parties.

## 24. Related parties continued

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

### Asset management fee

Principle Capital Sirius Real Estate Asset Management Limited receives an annual management fee of 0.6% of the gross property asset value of the Group. In the year fees of €2,974,312 (2010: €2,997,939) were payable, of which €256,787 was outstanding as at 31 March 2011 (2010: €254,805).

### Property management fee

Principle Capital Sirius Real Estate Asset Management Limited receives an annual property management fee of 4% of the net cash received from rentals. Of this fee approximately 2% is recoverable from tenants and 2% is non-recoverable. In the year fees of €1,558,619 (2010: €1,747,753) were payable, of which €82,282 was outstanding as at 31 March 2011 (2010: €145,399).

### Development fee

Principle Capital Sirius Real Estate Asset Management Limited receives an annual development fee of 1% of the Group's capital expenditure in the period. In the year fees of €91,514 (2010: €259,784) were payable, of which €8,344 was outstanding as at 31 March 2011 (2010: €18,910).

### Centre management fee and facility management fee

Sirius Facilities GmbH receives a fee for the provision of day-to-day centre management and facility management based on actual costs occurred. In the year, fees of €8,659,741 (2010: €8,638,807) were payable of which €nil was outstanding at 31 March 2011 (2010: €146,068). An amount of €231,412 was due from Sirius Facilities GmbH.

### Corporate services

Principle Corporate Services BV, a joint venture between a subsidiary of PCH and Frank and Kevin Oppenheim, receives a fee for the provision of corporate services supplied to some of the subsidiaries in the Group. During the year, fees of €482,032 (2010: €395,426) were payable of which €nil was outstanding as at 31 March 2011 (2010: €2,202).

### Trademarks

The Company has been granted a royalty free licence to use the "Sirius" trademark in Germany by Sirius Facilities GmbH. The Company has the right to use the trademark until the earlier of the date on which Sirius Facilities GmbH notifies the Company in writing that it wishes to terminate the licence and the 50th anniversary of the date of the licence.

The Company has been granted the right to use the "LB²" trademark in Germany by Sirius Facilities GmbH and its subsidiary.

### Carried interest

Marba Holland B.V. is a joint venture between a subsidiary of PCH, Frank and Kevin Oppenheim and certain other individuals. Marba Holland B.V. has a right to carried interest. In any year Marba Holland B.V. is not entitled to any carried interest unless the Group's net asset value total return per ordinary share has increased by an amount equal to the performance hurdle applicable to that financial year.

For the year ended 31 March 2011 the performance hurdle applicable is calculated by taking 10% above the higher of the following two conditions:

- the average of the net asset value per share at the end of the performance years to 31 March 2009 and 31 March 2010; and
- the net asset value per ordinary share at the end of the performance year to 31 March 2010.

If the hurdle is achieved then Marba Holland B.V. will be entitled to 20% of the amount by which the performance hurdle is exceeded by the Group in respect of that financial year. The carried interest will also be payable on the occurrence of certain other events, such as a takeover or liquidation of the Group.

No amount has been provided as at 31 March 2011 as the minimum hurdle rate required has not been achieved.

### Key management personnel compensation

Information on Directors' emoluments is given in the remuneration report on page 10.

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

| | 2011 €000 | 2010 €000 |
|---|---|---|
| Directors' fees | 220 | 178 |
| Asset management fee | 2,974 | 2,998 |
| Property management fee | 1,559 | 1,748 |
| Development fee | 92 | 260 |
| **Total** | 4,845 | 5,184 |

# Notes to the consolidated financial statements continued

*for the year ended 31 March 2011*

## 25. Capital commitments

As at 31 March 2011 the Group had contracted capital expenditure on existing properties of €1,845,264 (2010: €573,168). These were committed but not yet provided for in the financial statements.

## 26. 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:

| | 2011 €000 | 2010 €000 |
|---|---|---|
| Less than one year | **37,140** | 37,181 |
| Between one and five years | **70,882** | 67,533 |
| More than five years | **13,686** | 13,024 |
| | **121,708** | 117,738 |

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

## 27. Subsequent event

Under the existing asset management agreement between the Company, Sirius Cooperatief U.A. and Principle Capital Sirius Real Estate Asset Management Limited ("PCSREAM") dated 30 April 2007 as amended on 8 August 2008 (the "AMA") the Company is entitled to terminate the AMA by giving twelve months' notice if the Company fails to achieve a specified net asset value total return (as calculated in accordance with the AMA) at 31 March 2011. This is the only right the Company has to terminate the AMA absent material default or insolvency prior to 2016. The Board of Directors considers that it is entitled to terminate and has decided to do so to maximise its flexibility.

The Board of Directors gave notice on 3 May 2011 to PCSREAM to terminate the Asset Manager Agreement with effect as of 4 May 2012. The Board of Directors will be entering into discussions with PCSREAM and the existing real estate asset management team with the objective of agreeing new management arrangements to be in place as soon as possible but in any event by 4 May 2012.

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