Schroder European Real Estate Investment Trust plc

Annual Report and Consolidated Financial Statements

for the year ended 30 September 2017

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OVERVIEW

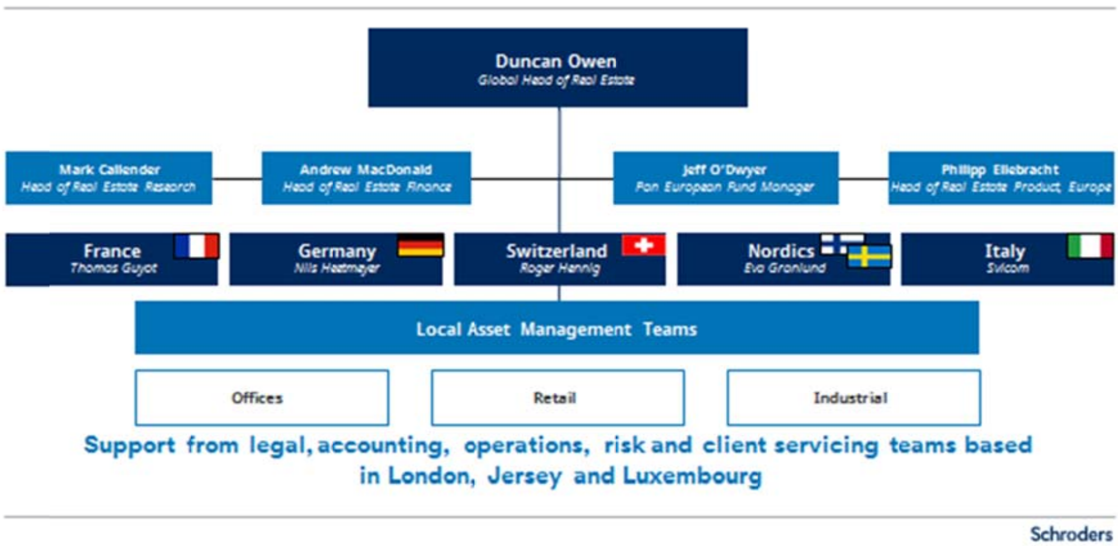
Company summary

Schroder European Real Estate Investment Trust plc aims to provide shareholders with a regular and attractive level of income together with the potential for income and capital growth through investing in commercial real estate in Continental Europe.

Schroder European Real Estate Investment Trust plc (the “Company”) invests in European growth cities and regions. It is a UK closed-ended real estate investment company incorporated on 9 January 2015. The Company has a premium listing on the Official List of the UK Listing Authority and its shares have been trading on the Main Market of the London Stock Exchange (ticker: SERE) since 9 December 2015. It also has a secondary listing on the Main Board of the Johannesburg Stock Exchange (ticker: SCD).

At 30 September 2017 the Company had 133,734,686 shares in issue and had 11 subsidiaries which, together with the Company, form the Group.

The Company’s investment manager is Schroder Real Estate Investment Management Limited. The Investment Manager draws on the expertise of a team of over 81 professionals based locally, with capability in a range of disciplines including fund and portfolio management, research, acquisition due diligence, legal and tax structuring, fund accounting, reporting and investment management. Key members of the team and their associated disciplines are set out below:



Investment objective

To provide shareholders with a regular and attractive level of income return together with the potential for long-term income and capital growth through investing in commercial real estate in Continental Europe.

Investment strategy

The Company invests in European growth cities, specifically institutional quality, income-producing commercial real estate in major continental European cities and regions. Target markets are mature and liquid and have growth prospects exceeding those of their domestic economy.

The strategy is focused on winning cities and regions, being locations experiencing higher levels of GDP, employment and population growth, with diversified local economies, sustainable occupational demand and favourable supply and demand characteristics.

The Company targets office, retail, logistics/light industrial and assets which offer the potential for multiple uses. The risk profile of the investments will be focused on core/core plus real estate (c.70%) with the remaining 30% in value add opportunities e.g. refurbishments, changes of use etc. The current portfolio is consistent with the strategy, generating strong income whilst also providing asset management opportunities which can be implemented through the experts in the local offices of the Investment Manager.

Investment policy

The Company owns a diversified portfolio of commercial real estate in Continental Europe with good property fundamentals. The Company may invest directly in real estate assets (both listed and unlisted) or through investment in special purpose vehicles, partnerships, trusts or other structures.

Diversification
The Company invests in a portfolio of institutional grade income-producing properties with low vacancy and creditworthy tenants. The portfolio is diversified by location, use, size, lease, duration and tenant concentration.

Once all the proceeds of the placing programme have been fully invested, and the Company has implemented its borrowing policy, the value of any individual property at the date of its acquisition will not exceed 20% of the Company’s gross assets.

A preference is given to multi-let properties over single-occupier properties to diversify exposure to underlying tenant risk.

Asset class and geographic restrictions
The Company has the ability to invest in any country in Continental Europe, although preference will be given to mature and liquid markets. The Company’s primary focus is on the core cities in France and Germany where the Investment Manager believes there are positive growth prospects and real estate markets which are considered to be well established, mature and liquid.

The Company invests principally in the office, retail, logistics and light industrial property sectors. It may also invest in other sectors including, but not limited to, leisure, residential, healthcare, hotels and student accommodation.

Other restrictions
The Company will not undertake the development of new property, however completed newly developed properties may be acquired under forward commitments where such acquisitions do not expose the Company to underlying development risk. The Company may also refurbish or improve existing properties with such refurbishments and improvements typically covering the replacing, improving or reconfiguring of a property that is already in existence and would typically be internal and within the existing envelope of that property. Any more substantial refurbishment or

improvement of an existing property exposing the Company to development risk would not exceed 20 per cent. of the Company's gross assets.

Pending deployment of the net proceeds of any fundraising, the Company intends to invest cash held in cash deposits and cash equivalents for cash management purposes.

Borrowing policy
The Company utilises gearing with the objective of improving shareholder returns. Borrowings are non-recourse and secured against individual assets or groups of assets and, at the time of borrowing, gross debt (net of cash) shall not exceed 35% of the Company’s gross assets. Where borrowings are secured against a group of assets, such group of assets shall not exceed 25% of the Company’s gross assets in order to ensure that investment risk remains suitably spread.

The Board determines the appropriate level and structure of gearing for individual assets or groups of assets on a deal by deal basis, and gearing against individual assets or groups of assets may exceed 35% LTV at the time of borrowing, provided total gearing of the Company does not exceed 35% LTV overall. Higher gearing will only be considered against individual assets or groups of assets if the Board considers the particular characteristics of those assets would be suitable for higher gearing.

Highlights and financial summary [1]

Year ended 30 September 2017

- NAV of **€178.3m** at 30 September 2017 (133.3cps/117.6pps), an increase of 13.0% over the year including a gross equity raise of €16.7m
- EPRA[2] earnings of **€6.9m (**IFRS earnings of €10.3m**)**, grown from €1.0m for the 10 months to 30 September 2016
- Dividend for quarter ended 30 September 2017 is **1.5cps** representing an annualised rate of **4.4%** based on €1.37, being the euro equivalent of the issue price as at admission. Based on the Euro:GBP exchange rate as at 30 September 2017, this dividend represents an annualised rate of **5.3%** against an initial £1 invested at IPO
- NAV total return of **6.0%** over the reporting period
- Further **€16.7m** of gross equity raised from investors
- Two acquisitions deploying **€60m** at an average net property income yield of **8.0%**
- Portfolio valued at **€211.7m** at 30 September 2017 reflecting an uplift of approximately **7.1%** on purchase price
- Debt financing at **25% LTV** at a weighted average interest rate of **1.3%** and weighted average duration of **6.8 years**
- Portfolio is almost **100%** occupied with **6.8** years average lease term and at a net property income yield of approximately **6%**
- Eurozone economic recovery gathering momentum, forecast to outperform the UK
- Local experienced teams on the ground in target markets

[1] Relates to the Group's share only and excludes the non-controlling interests in the Company's subsidiaries
[2] European Public Real Estate Association

STRATEGIC REPORT

Performance summary [1]

Financial summary

	Year ended 30 September 2017	Year ended 30 September 2016
NAV (excluding non-controlling interests)	€178.3m	€157.8m
NAV per ordinary share	133.3c	130.2c
NAV total return (euro)	6.0%	(4.6%)
IFRS earnings	€10.3m	€(2.7)m
EPRA earnings	€6.9m	€1.0m
Equity raised (gross) during the period	€16.7m	€166.5m

Capital values

	Year ended 30 September 2017	Year ended 30 September 2016
Share price	110.5 pps/ZAR 19.25	128.0 pps/ZAR 24.00
NAV per share	117.6 pps/ZAR 21.37	113.0 pps/ZAR 20.09
Share price premium/(discount) to NAV GBP/ZAR	(6.0%)/(9.9%)	13.5%/16.29%

Earnings and dividends

	Year ended 30 September 2017	Year ended 30 September 2016
Profit/(loss) per share (euro cents)	7.7	(2.1)
EPRA earnings per share (euro cents)	5.2	0.9
Headline earnings per share (euro cents)	5.2	0.7
Dividends declared per share (euro cents)	5.2	1.7
Annualised dividend yield of most recent dividend declared on the Euro equivalent IPO issue price	4.4%	2.6%

Bank borrowings

	Year ended 30 September 2017	Year ended 30 September 2016
External bank debt (excluding costs)	€60.4m	€48.7m
Loan to value ("LTV") ratio based on Gross Assets	25%	22%

Ongoing charges[2]

	Year ended 30 September 2017	Year ended 30 September 2016
Ongoing charges (including fund only expenses)	1.87%	1.57%
Ongoing charges (including fund and property expenses)	2.11%	1.57%

[1]Relates to the Group's share only and excludes the non-controlling interests in the Company's subsidiaries.
[2]Ongoing charges calculated in accordance with AIC recommended methodology as a percentage of average NAV over the period and the comparative covers a ten month period (commencing from Admission) only.

Chairman's statement

Overview

The Company continues to deliver net asset value and income growth for shareholders. The current dividend is now at an annualised rate of 4.4% based on €1.37, being the euro equivalent of the issue price at admission. Based on the Euro:GBP exchange rate as at 30 September 2017, this equates to an annualised rate of 5.3% against an initial £1 invested at admission. This represents continued progress since launch in December 2015. The Company is in exclusive negotiations to acquire assets that, once completed, should enable the Company to distribute the target 5.5% p.a. dividend against the euro issue price, fully covered by rental income.

Two acquisitions during the year in Paris and Seville have grown the property portfolio owned by the Company to nine assets located across winning cities and regions in France, Germany and Spain. The current independent valuation of the portfolio is 7.1% above the combined purchase price. Across the portfolio there are a number of value enhancing asset management initiatives either underway or identified including reducing voids, lease restructuring and property refurbishments.

Our target markets in Western Europe are benefiting from a broad-based economic recovery with unemployment declining. Growth forecasts are encouraging and inflation is under control. Rental growth is returning to most parts of the market as occupier demand for good quality, well-located assets remains healthy and development activity is reasonably subdued. We expect this economic recovery to continue into the medium-term. This will be positive for the Company's portfolio and supports our growth ambitions for the Company.

Strategy

The strategic priority for the Company is to continue to grow in a disciplined way which improves net operating income and brings benefits such as improved liquidity and diversification. The Company has an investment strategy focused on winning cities and regions in continental Europe which are growing more quickly than their domestic economies. It is pleasing to note that 100% of the existing portfolio owned by the Company is located in the fastest growing cities and towns in Continental Europe (Source: Oxford Economics, defined as top 2 quartiles).

The Investment Manager, Schroder Real Estate Investment Management Limited, is locally based in the target markets of France, Germany, Switzerland and Scandinavia. This allows the Company to identify specific locations and assets which offer good fundamentals as well as to actively manage the portfolio. This strategy is also informed by Schroders' in-house research capability to identify sub-markets where there are supply/demand imbalances and future growth potential from structural changes such as urbanisation and infrastructure improvements. Over the longer-term this should mean the portfolio is capable of adapting to future occupier trends and technological advancements whilst also being relatively resilient.

Dividend

The Company has declared a fourth interim dividend in respect of the year ended 30 September 2017 of 1.5 euro cents per share based on the number of shares in issue as at the publishing date of this report. This represents an annualised rate of 4.4% based on €1.37, being the euro equivalent of the issue price at admission. The Company is targeting an annualised euro dividend of 5.5% based on the euro equivalent issue price as at admission and remains on target to deliver this once fully invested. Based on the Euro:GBP exchange rate as at 30 September 2017, this would represent an annualised rate of 6.6% against an initial £1 invested at admission. This will be fully covered by contractual income receivable from the portfolio.

Total dividends payable in respect of the financial year amount to 5.2 euro cents per share.

Balance sheet and debt

The Company has a simple balance sheet, with overall leverage capped at 35% LTV at the time debt is drawn. The current debt is 25% LTV, which provides some headroom to draw further debt. Debt is used with the objective of improving shareholder returns and is drawn against those assets most suitable for debt financing. This ensures the most accretive finance rates can be secured, evidenced by the current average weighted interest rate on the debt facilities of 1.3%. When compared to the average net initial property yield on the portfolio of approximately 6%, the debt is accretive to income returns. It is also important to note that this debt is either fixed cost or capped and is of long duration – averaging almost seven years. This helps support long-term returns for shareholders.

Given the positive yield spread, it is likely the Company will draw further debt facilities and target overall gearing at around 35% LTV.

Outlook

The Company is close to being fully invested having executed the strategy outlined at IPO to establish a quality portfolio of commercial real estate in the growth markets of Western Continental Europe. We have a remaining investment capacity of approximately €30 million which is already allocated to an identified pipeline of opportunities in our target markets.

Economic growth in our target markets is advancing and this is having a positive impact on occupier demand and rental levels. A number of flagged risks to European economies, such as general elections and European break-up, have had outcomes that are likely to result in a period of stability. Whilst there remains uncertainty around events such as Brexit, the strategic focus on winning cities and regions means the Company is well placed in changing market circumstances and may potentially benefit if the outcome to negotiations leads to more businesses locating and expanding in continental Europe.

The portfolio provides an attractive level of income together with the potential for growth. The balance sheet is stable with low gearing that is accretive to returns. The market backdrop is positive and supports potential returns from identified value-add asset management opportunities and new investments. The Investment Manager has identified a range of potential investment opportunities, both in existing and new markets, that would be accretive to the Company's earnings. We believe this provides a platform to grow the Company to benefit shareholders.

Sir Julian Berney Bt.
Chairman
5 December 2017

Investment Manager's report

Results

The Company's portfolio is valued at €211.7 million as at 30 September 2017 reflecting an uplift of €14 million/7.1% on purchase price. Overall values have increased 3.6% over the financial year.

The Company's **Net Asset Value** ("NAV") as at 30 September 2017 stood at €178.3 million, or 133.3 euro cents (117.6 pence) per share, and achieved a NAV total return for the financial year of 6.0%.

The table below provides an analysis of the movement in NAV during the reporting period as well as a corresponding reconciliation in the movement in the NAV cents per share:

NAV movement	€ million	cps	% change per cps
Brought forward as at 1 October 2016[1]	**157.8**	**130.2**	**-**
Net equity raise impact	16.4	-	-
NAV post equity raise	**174.2**	**130.2**	**-**
Transaction costs of investments made during the period	(3.6)	(2.7)	(2.1)
Unrealised gain in valuation of the property portfolio	7.4	5.5	4.2
EPRA earnings	6.9	5.2	4.0
Non-cash items	(0.4)	(0.3)	(0.2)
Dividends paid	(6.2)	(4.6)	(3.5)
Carried forward as at 30 September 2017	**178.3**	**133.3**	**2.4**

Management reviews the performance of the Company principally on a proportionally consolidated basis. As a result, figures quoted in this table include the Company's share of joint ventures on a line-by-line basis and exclude non-controlling interests in the Company's subsidiaries.

NAV as at 30 September 2016 based on the number of shares pre-October equity raise of 121,234,686. All other numbers are based on the number of shares subsequent to the equity raise of 133,734,686 shares.

Market overview

Economic momentum in the Eurozone has increased and growth forecasts continue to be upgraded. While growth forecasts for the Eurozone for 2017 and 2018 had been at 1.4% and 1.5% respectively at the start of this calendar year, the September consensus forecasts have been upgraded to 2.1% and 1.8%. Following key elections in Europe political uncertainty has eased. Growth continues to beat expectations while structural reforms, debt restructuring and labour market reforms are taking effect. Unemployment has started to decrease and economic sentiment remains at record highs. Core inflation remains stable around 1% and, while the European Central Bank ("ECB") is likely to reduce its bond buying program, the Investment Manager expects the ECB to leave its refi rate at zero until 2019.

Offices

This economic activity is generating demand in the office markets. In many European cities, jobs in the IT, media and professional services sectors are growing year-on-year and net take-up of office space is positive. Vacancy, particularly for modern flexible space, has decreased and the supply pipeline for the next 2-3 years remains muted. We expect to see a broad based increase in office rents across continental Europe over the next 3-4 years, dominated by growth cities.

Retail

Strong consumer spending continues to support the wider retail sector, though this growth is mainly being driven by on-line spending. This is impacting the demand for physical retail space. Demand, and rental levels, for high street units/flagship stores in core city centre locations remains resilient and dominant shopping centres with a retail, leisure and food offer also continue to perform well. Secondary high streets and small to mid-sized shopping centres remain under pressure with changing consumer patterns reducing physical shopping time and spend. Supermarkets, convenience stores and out-of-town retail warehouses are expected to be more resilient to online encroachment, as consumers still prefer the physical aspect of goods such as food, furniture, DIY and homewares. Additionally, these stores typically have car parking and are convenient for click and collect sales. Vacancy rates here are also lower as these formats have less of a mid-market fashion offer, the part of the market most severely impacted, whilst the recovery in European housing markets has led consumers to spend more on home improvements.

Logistics/industrial

The rapid growth of e-commerce is driving retailers and other logistics operators to restructure their networks and introduce modern technology to their units. Vacancy levels have been falling across Europe and rents are beginning to grow. Demand remains strong for well-located, modern units to be used for parcel delivery and fulfilment centres, especially urban logistics assets. These are benefiting from the growth in “last mile” deliveries and returned items, as consumers become increasingly demanding and place ever more emphasis on speed of delivery, located in built up areas where new supply is constrained and which offer longer-term mixed-use potential. This is a target investment sector for the Company and it has an identified pipeline of assets under consideration.

Investment market

The favourable outlook for rental growth and the significant gap between real estate and 10 year government bond yields means that there is a large amount of capital allocated towards real estate in Continental Europe. Investment activity remains at high levels and the market is competitive. Asian capital has become more active. European investors are active throughout the region. The most sought after market remains Germany, but activity is also high in France, the Nordics, Spain and the Netherlands. Values for prime assets are close to the high, assuming that investors will now start to factor in an increase in bond yields over the medium term. However, even if bond yields rise, we expect that real estate yields will probably be relatively stable, given the prospects for rental growth, particularly in winning cities.

Property portfolio

As at 30 September 2017, the Company owned nine properties, independently valued at €211.7 million, reflecting a net initial yield of approximately 6% against the independent valuation.

The retail properties in Biarritz and Rennes are owned in a 70/30 joint venture with Mercialys, the French retail property specialist, and the Seville shopping centre is held in a 50/50 joint venture with another Schroder-managed real estate vehicle. The portfolio statistics reflect the 70% ownership share of Biarritz and Rennes and 50% of Seville.

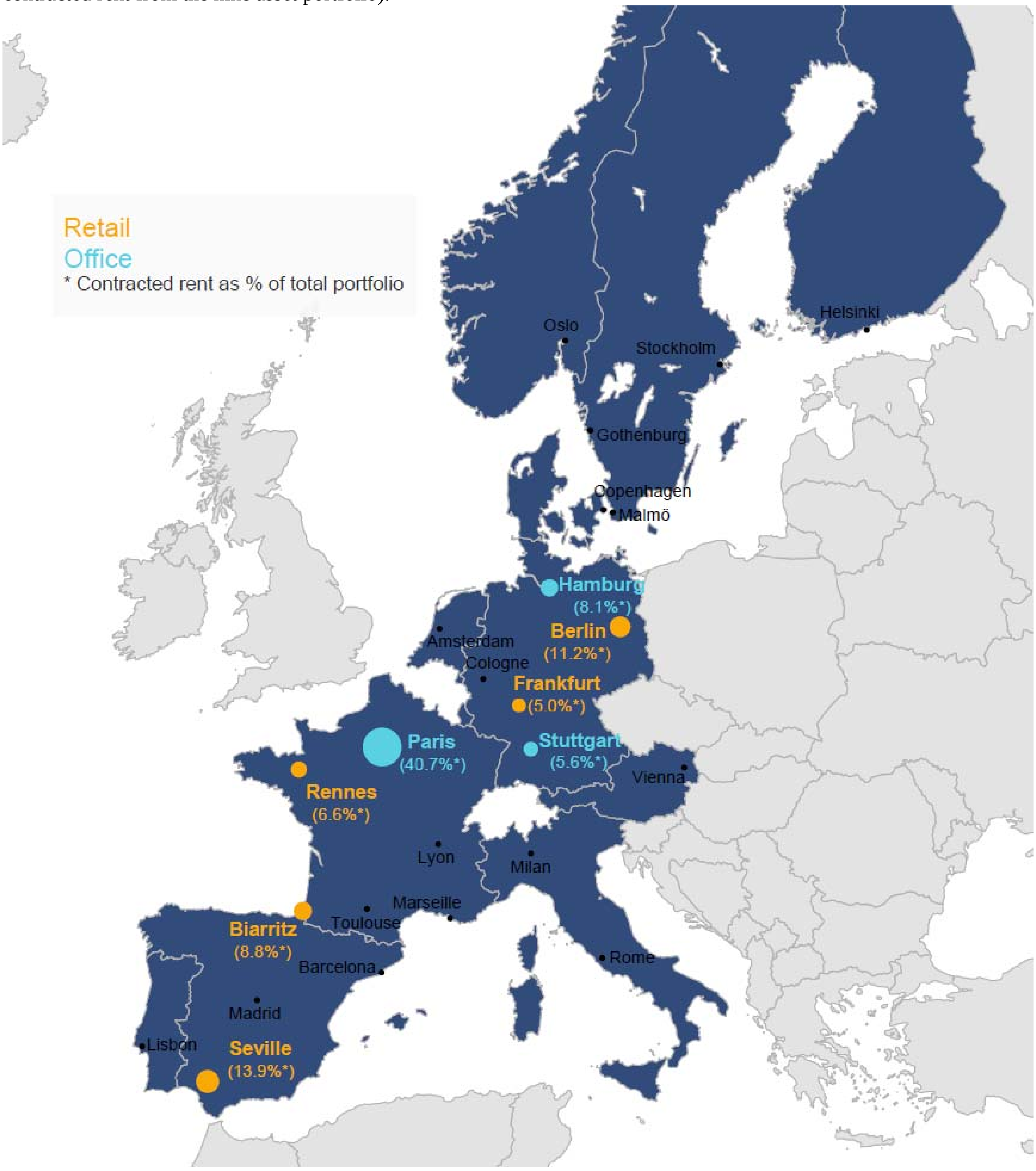
The table below gives an overview of the portfolio:

Property	**Country**	**Sector**	**Contracted rents**		**Value**			
			€m	**% total**	**€0-€20m**	**€20m-€40m**	**€40m-€60m**	**>€60m**
Paris (SC)	France	Office	3.5	24.3		X		
Paris (B-B)	France	Office	2.3	16.5			X	
Seville	Spain	Retail	2.0	13.9		X		
Berlin	Germany	Retail	1.6	11.2		X		
Biarritz	France	Retail	1.3	8.8		X		
Hamburg	Germany	Office	1.2	8.1	X			
Rennes	France	Retail	0.9	6.6	X			
Stuttgart	Germany	Office	0.8	5.6	X			
Frankfurt	Germany	Retail	0.7	5.0	X			
Portfolio at financial year end			**14.3**	**100.0**	**€211.7m**			

The portfolio's country and sector allocations are specified below:

Country allocation (% contracted rent)	**Portfolio at financial year end (%)**	**Sector allocation (% contracted rent)**	**Portfolio at financial year end (%)**
France	56	**Office**	54
Germany	30	**Retail**	46
Spain	14	**Other**	0
Total	**100**	**Total**	**100**

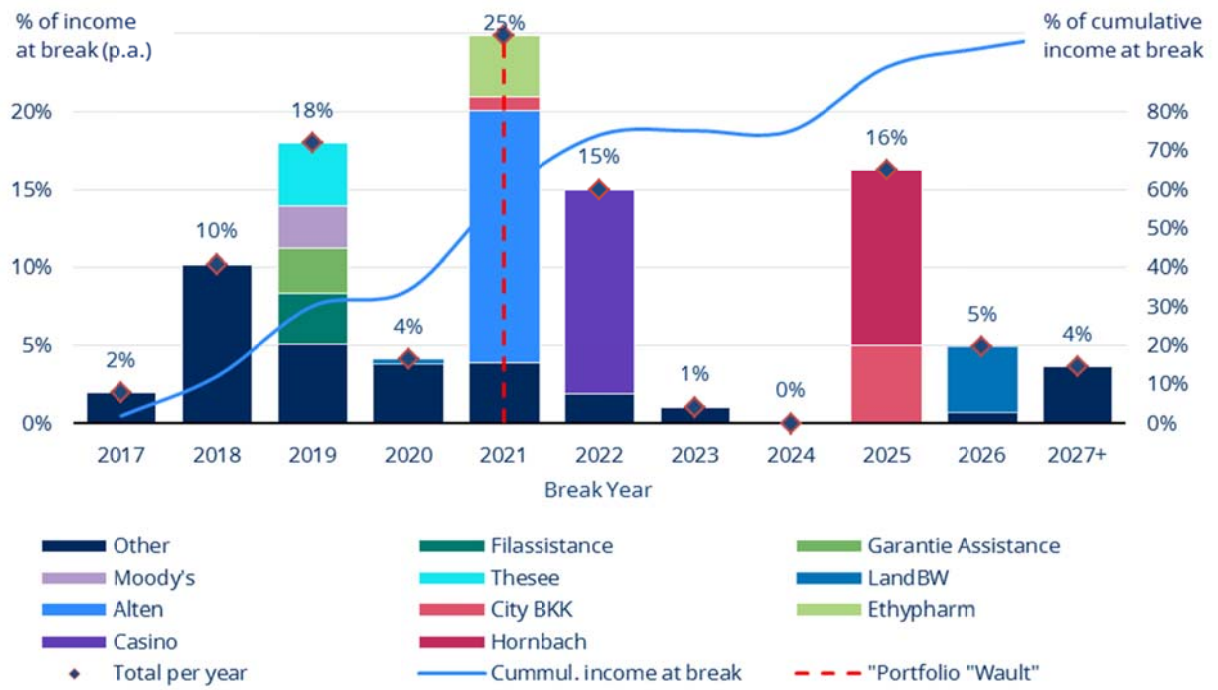
The map below shows the portfolio locations and the city allocations by contracted rent (as a percentage of total contracted rent from the nine asset portfolio).



Lease expiry profile

The portfolio generates €14.3 million p.a. in contracted income. The average unexpired lease term is 4.4 years to first break and 6.8 years to expiry.

The lease expiry profile to earliest break is shown below. The near-term lease expiries provide asset management opportunities to renegotiate leases, extend weighted average unexpired lease terms, improve income security and generate rental growth. In turn, this activity benefits NAV total return.



Top ten tenants

The top ten tenants comprise a wide range of occupiers from different industry segments as shown below:

#	Tenant	Property	Tenant risk[1]	Contracted rent (€m p.a.)	Contracted rent (%)[3]	Unexp. lease term (years)[4]
1	Alten	Paris (B-B)	Low	2.3	16%	3.5
2	Casino	Rennes & Biarritz	Low	1.9	13%	4.7
3	Hornbach	Berlin	Low	1.6	11%	8.3
4	City BKK	Hamburg	High[2]	0.8	6%	7.4
5	LandBW	Stuttgart	Low	0.7	5%	8.4
6	Thesee	Paris (SC)	Medium	0.6	4%	1.9
7	Ethypharm	Paris (SC)	Low	0.6	4%	4.3
8	Fileassistance	Paris (SC)	Low	0.5	3%	1.7
9	Garantie assistance	Paris (SC)	Low	0.4	3%	1.7
10	Moody's	Paris (SC)	Low	0.4	3%	1.8
Total top ten tenants				**9.8**	**68%**	**4.9**
Remaining tenants				4.5	32%	3.4
Total				**14.3**	**100%**	**4.4**

[1]Regular tenant risk assessments are undertaken for tenants above €100,000 of contracted rent. Among other considerations, the Investment Manager's risk assessments are based on Dun &Bradstreet ratings and Dun &Bradstreet failure scores.
[2]As part of ongoing asset management, discussions with City BKK regarding a potential lease surrender continue.
[3]Percentage based on total contracted rent as at financial period end.
[4]Unexpired lease term until earliest termination in years as at 30 September 2017 weighted by contracted rent

Valuation

The current valuation of €211.7 million for the existing portfolio reflects an increase of 7.1% compared to the combined purchase price of the nine asset portfolio. Transaction costs have already been recovered through valuation uplifts since acquisition.

The portfolio valuation, excluding transaction costs, has risen by 3.6%[1] over the financial year due to positive valuation performance from all assets. The largest valuation uplift came from the newly acquired Paris, Saint-Cloud asset, against its purchase price and the Hamburg asset against the 30 September 2016 valuation.

Transactions and asset management

The long-term investment strategy is founded on urbanisation. Elements such as population change, infrastructure improvements, growth of mixed-use areas, supply constrained locations and particularly those that provide affordable/ sustainable rents are central to this theme. All our investments are well positioned to benefit from these themes, with current Eurozone economic data trending favourably in support of this strategy.

[1]Purchase prices have been adopted for assets not held for the financial year (Saint-Cloud and Metromar).

We manage each asset around an identified business plan, constructed by our local real estate professionals and approved by the Investment Manager's investment committee. Our asset management expertise assists in de-risking assets, enhancing income profiles and positioning investments to benefit from occupier demand and ultimately growth, all positively contributing to the delivery of the Company's return performance.

Boulevard Jean Jaurès, Boulogne-Billancourt (Paris) 92100, France

- Acquired in March 2016 for a purchase price of €37.5 million
- Valuation at 30 September 2017: €41.4 million
- Lettable area: c.6,900 sq.m
- Investment rationale:
  - ✓ Mixed-use area with a high incidence of competing uses
  - ✓ Affordable/sustainable rents
  - ✓ Supply constrained location
  - ✓ Modest capital value per sq.m

Business plan achievements:

- Negotiating with adjoining owner to optimise future redevelopment of the site;
- Adding €15,000 in annual income; and
- Engaging with tenant Alten about a possible lease extension.

Asset management initiatives remaining:

- Managing neighbouring property easements which have value in the Company's favour;
- Working with tenant to agree their longer-term occupational intention; and
- Investigating longer-term office refurbishment or potential for conversion to higher value uses.

Großbeerenstraße, 12107 Berlin, Germany

- Acquired in March 2016 for a purchase price of €24.3 million
- Valuation at 30 September 2017: €25.7 million
- Lettable area: c.16,800 sq.m
- Investment rationale:
  - ✓ Above average population growth
  - ✓ Supply constrained location
  - ✓ Mixed-use area with a high incidence of competing uses
  - ✓ Large site area of 4 hectares

Business plan achievements:

- Tenant relationship management with a view to understanding Hornbach's needs and future e-commerce aspirations (drive in/click and collect). Approached neighbouring owner to acquire site for expansion.

Asset management initiatives remaining:

- Diversifying the retail offer with the addition of complementary uses such as food and beverage;
- Rezoning part of the land for residential use; and
- Potential sale of part of the land for residential development

Neckarstraße, 70190, Stuttgart, Germany

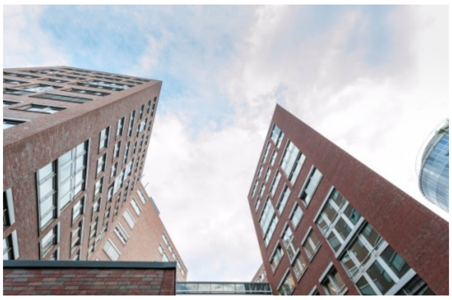
- Acquired in April 2016 for a purchase price of €14.4 million
- Valuation at 30 September 2017: €15.2 million
- Lettable area: c.5,800 sq.m
- Investment rationale:
  - ✓ Supply constrained location
  - ✓ Mixed-use area with a high incidence of competing uses
  - ✓ Affordable/sustainable rents
  - ✓ Improving infrastructure driven by the neighbouring "Stuttgarter 21" redevelopment

Business plan achievements:

- Implementation of fire certification requirement in association with neighbouring asset.

Asset management initiatives remaining:

- Marking rents to market which the Investment Manager anticipates providing c. 5% to 10% growth; and
- Positioning the investment to benefit from the completion of the neighbouring "Stuttgarter 21" urban development.



Hammerbrookstraße, 20097, Hamburg, Germany

- Acquired in April 2016 for a purchase price of €14.4 million
- Valuation at 30 September 2017: €16.7 million
- Lettable area: c.7,000 sq.m
- Investment rationale:
  - ✓ Modest capital value per sq.m
  - ✓ Mixed-use area with a high incidence of competing uses
  - ✓ The city-sud sub-market is one stop from the city centre and is evolving as a destination where people want to live, work and socialise
  - ✓ Affordable/sustainable rents that represent approximately a third of prime city centre
  - ✓ Location has medium to longer-term growth potential

Business plan achievements:

- Leasing of 208 sq.m to a sushi restaurant on a 10 year term and adding a further €17,000 of annual income; and
- Negotiating with City BKK regarding a potential lease surrender payment and subsequent direct leasing with sub-tenants.

Asset management initiatives remaining:

- Positioning the investment to capitalise on the above average rental growth anticipated;
- Managing minor storage and parking vacancy and general lease expiries; and
- Finalising City BKK agreement.

Lorscher Straße, 60489, Frankfurt – Rodelheim, Germany

- Acquired in May 2016 for a purchase price of €11.1 million
- Valuation at 30 September 2017: €11.5 million
- Lettable area: c.4,500 sq.m
- Investment rationale:
  - ✓ Supermarket anchored convenience retail centre servicing a growing urban catchment
  - ✓ Larger than standard supermarket size allowing for a broader grocery offer relative to local competition
  - ✓ Mixed use area with a dense residential population
  - ✓ Above average provision of parking

Business plan achievements:

- Critically reviewing tenancy mix culminating in discussions with a leading national drug store retailer to enter the scheme; and
- Negotiating with a tenant of the lower ground floor to maintain occupancy and income security.

Asset management initiatives remaining:

- Improving the retail mix to enhance footfall;
- Longer-term potential to add further lettable area and services to the car park area; and
- Broadening the retail offer and strengthening the convenience nature of the centre.

Avenue de Bayonne, 64600, Anglet (Biarritz), France

(Values refer to 70% interest)

- Acquired in June 2016 for a purchase price of €22.6 million
- Valuation at 30 September 2017: €21.8 million
- Lettable area: c.15,000 sq.m
- Investment rationale:
  - ✓ Grocery anchored, multi-tenanted retail offer that forms part of a dominant retail agglomeration
  - ✓ Densely populated catchment supported by strong tourism
  - ✓ JV partner has an operational connection being part of the grocery
  - ✓ Mixed-use area with strong competition from competing uses

Business plan achievements:

- Redesign of vacant 38 sq.m unit to provide an additional entry (directly to the car park) to improve potential footfall and marketability; and
- Management of joint venture to implement marketing and communication actions.

Asset management initiatives remaining:

- Reconfigure retail units to allow for broader retail offer / tenant mix.

Route de Saint Malo, 35760, Saint-Grégoire (Rennes), France

(Values refer to 70% interest)

- Acquired in June 2016 for a purchase price of €17.2 million
- Valuation at 30 September 2017: €19.0 million
- Lettable area: c.13,900 sq.m
- Investment rationale:
  - ✓ Grocery store anchoring a recently expanded shopping centre that collectively provides a regional shopping centre dominance
  - ✓ JV partner has an operational connection being part of the grocery operator's parent company
  - ✓ Dominant retail offer in a growing region

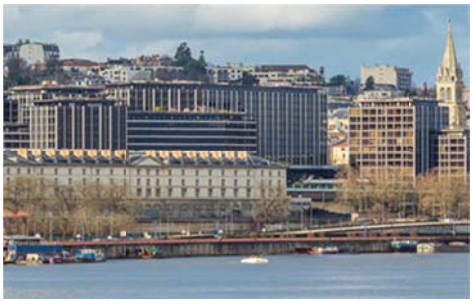
Business plan achievements:

- Management of joint venture to implement marketing and communication actions with a view to leveraging off recent centre expansion; and
- Monitoring Mercialys expansion and mitigating any negative impact to grocery offer.

Asset management initiatives remaining:

- Reconfigure retail units to allow for broader retail offer / tenant mix.

Le Directoire, Saint-Cloud (Paris), France



- Acquired in February 2017 for a purchase price of €30.0 million
- Valuation at 30 September 2017: €33.9 million
- Lettable area: c.15,800 sq.m
- Investment rationale:
  - ✓ Supply constrained location
  - ✓ Let off affordable/sustainable rents
  - ✓ Attractive capital value per sq.m substantially less than replacement cost
  - ✓ Benefits from future infrastructure improvements
  - ✓ Mixed-use area with strong competition from competing uses

Business plan achievements:
- A lease extension and 555 sq.m expansion with Outscale, the cloud operating system company, taking its total occupancy at the asset to 1,695 sq.m secured;
- A new six year lease agreement with Ethypharm, a pharmaceutical company, for 2,450 sq.m; and
- Ongoing discussions for a new 12 year lease with a governmental body, for c.400 sq.m of vacant storage accommodation.

Asset management initiatives remaining:
- Implementation of a value-enhancing refurbishment programme, comprising the full renovation of lift lobbies, with completion due in the second half of 2018; and
- Re-gearing future lease expiries to maximise income, limit vacancy and drive unexpired lease profile.
- Acquisition of future floors within the complex provided yield is accretive to return targets

Metromar Shopping Centre, Seville, Spain

(Values refer to 50% interest)
- Acquired in May 2017 for a purchase price of €26.2 million
- Valuation at 30 September 2017: €26.5 million
- Lettable area: c.23,000 sq.m
- Investment rationale:
  - ✓ Dominant retail offer for the local urban catchment
  - ✓ Anchored by grocery and leisure, both relatively immune to e-commerce
  - ✓ Attractive capital value per sq.m substantially less than replacement cost
  - ✓ Local region is undergoing strong population growth driven by infrastructure improvements

Business plan achievements:
- Advancing discussions with a leisure specialist that will compliment the existing cinema and food offer, whilst creating an additional point of difference relative to competition;
- Removed underperforming restaurant and leased to a burger specialist, strengthening restaurant offer for consumers;
- Obtained proposal to improve brand, signage, wayfaring, lighting and general vibrancy; and
- Discussions to lease the ex Massimo Dutti space to a shoe specialist for which the centre is underweight.

Asset management initiatives remaining:
- Remarketing of the centre to build upon its local dominance;
- Leasing remaining restaurant vacancy and improve offer; and
- Concluding leasing of Massimo Dutti space.

Finance

The use of leverage is assessed on an asset-by-asset basis, secured only against those properties that are most suitable for debt financing and where financing costs/terms are attractive.

As at 30 September 2017, the Company's total debt was €60.4 million across four loan facilities. This represents a loan to value of 25% against the Company's gross asset value.

The loans drawn are secured against the four German properties in Berlin, Frankfurt, Stuttgart and Hamburg, the two French retail assets in Biarritz and Rennes and the Spanish asset in Seville.

The current blended all-in interest rate is 1.3%, significantly below the portfolio yield of approximately 6% p.a.

The average unexpired loan term is 6.8 years.

Lender	Property	Maturity date	Outstanding principal(€)[1]	Interest rate
Deutsche Pfandbriefbank	Berlin/Frankfurt	30/06/2026	16,500,000	1.31%
	Stuttgart/Hamburg	30/06/2023	14,000,000	0.85%
Credit Agricole[1]	Biarritz/Rennes	30/07/2023	18,200,000	3M Euribor + 1.35%
Münchener Hypothekenbank	Seville	22/05/2024	11,678,750	1.76%
Total			**60,378,750**	

[1]All statistics in the Investment Manager's report' reflect a 50% ownership share of Seville and a 70% ownership share of the Biarritz and Rennes investments. As a result, debt allocations for those investments in the table above are similarly proportioned. With regard to debt specifically, further information can be found in notes 12 and 17 of this Report and the above table includes neither related party transactions nor unamortised fees.

The German and Spanish loans are fixed rate for the duration of the loan term.

The French loan is based on a margin above 3 month Euribor and the Company has acquired an interest rate cap to limit future potential interest costs if Euribor were to increase. The strike rate on the cap is 1.25% p.a. The market value of the interest cap is positive at €0.2 million as at the end of September 2017.

Outlook

Since the Company's IPO in December 2015, we have constructed a portfolio of quality investments across the winning cities and regions of Western Europe, such as Berlin, Paris and Seville. The portfolio is well positioned to deliver sustainable income and growth. The Company is currently paying a dividend of 4.4% and continues to target a 5.5% dividend on the euro IPO issue price once fully invested. We have created a balanced and diversified portfolio, having invested in nine properties across eight 'winning cities'. There are identified acquisitions to deploy the remaining capital.

The remaining investment capacity, which totals approximately €30 million, will be invested in a manner consistent with the existing strategy. We will continue to combine our approach with our bottom-up real estate expertise to deliver sustainable income returns. Once fully invested we will take a disciplined approach to growth. The key winning cities and regions in continental Europe offer opportunities with increasing demand and only limited supply. Our strategy will seek to increase our allocation to logistics warehouses, with a focus on urban logistics, and the growing demand from e-commerce.

Schroder Real Estate Investment Management Limited
5 December 2017

Strategic review

Business model

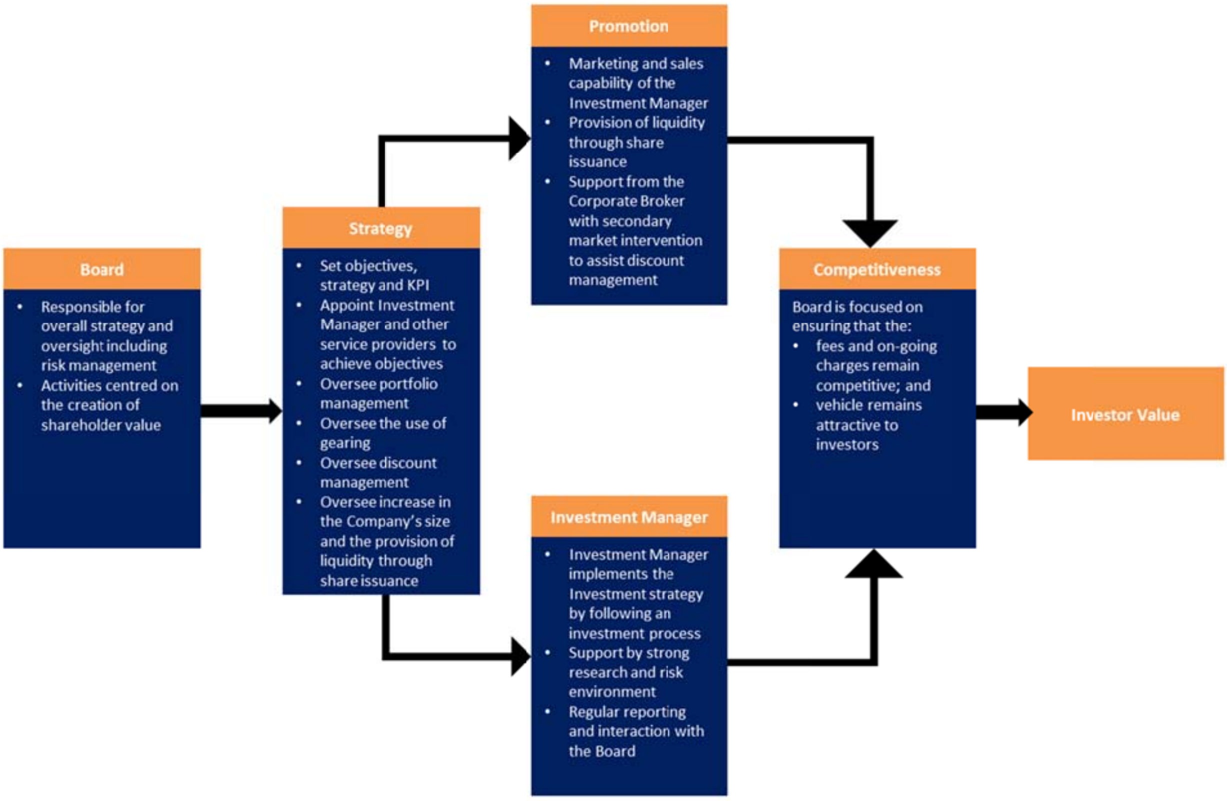
The Company carries on business as an investment trust. It has been approved by HM Revenue & Customs as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010, by way of a one-off application and it is intended that the Company will continue to conduct its affairs in a manner which will enable it to retain this status.

The Company is domiciled in the UK and is an investment company within the meaning of Section 833 of the Companies Act 2006. The Company is not a close company for taxation purposes.

It is not intended that the Company should have a limited life, and the articles of association do not contain any provisions for review of the future of the Company at specified intervals.

As at the date of this Report, the Company had 11 subsidiaries, details of which are set out in note 11 on page 69.

The Company's business model may be demonstrated by the diagram below.



Investment objective and policy

Details of the Company’s investment objective and policy may be found on pages 2 and 3.

The Board has appointed the Investment Manager, Schroder Real Estate Investment Management Limited, to implement the investment strategy and to manage the Company’s assets in line with the appropriate restrictions placed on it by the Board, set out further below.

Investment strategy

Details of the Company’s investment strategy are set out on page 2.

Diversification and asset allocation

The Board believes that in order to maximise the stability of the Group's income and value, the optimal strategy for the Group is to invest in a portfolio of institutional grade income-producing assets diversified by location, use, asset size, lease duration and tenant concentration with low vacancy rates and creditworthy tenants. Once fully invested and the Company has implemented its borrowing policy, the value of any individual asset at the date of its acquisition may not exceed 20% of gross assets. From time to time the Board may also impose limits on sector, location and tenant types together with other activity such as development.

Borrowings

The Company utilises gearing with the objective of improving shareholder returns. Borrowings are non-recourse and secured against individual assets or groups of assets and, at the time of borrowing, gross debt (net of cash) shall not exceed 35% of the Company’s gross assets. Where borrowings are secured against a group of assets, such group of assets shall not exceed 25% of the Company’s gross assets in order to ensure that investment risk remains suitably spread.

The Board determines the appropriate level and structure of gearing for individual assets or groups of assets on a deal by deal basis, and gearing against individual assets or groups of assets may exceed 35% LTV at the time of borrowing, provided total gearing of the Company does not exceed 35% LTV overall. Higher gearing will only be considered against individual assets or groups of assets if the Board considers the particular characteristics of those assets would be suitable for higher gearing.

Interest rate exposure and currency hedging

It is the Board’s policy to minimise interest rate risk, either by ensuring that borrowings are on a fixed rate basis, or through the use of interest rate swaps/derivatives used solely for hedging purposes.

The Company does not currently intend to take any currency hedging in respect of the capital value of its portfolio of investments, but may choose to do so if the Board considers it appropriate in the future.

The Board has concluded that, based on the current cost of currency hedging, the Company will not hedge dividend payments in currencies other than euro. The Board will continue to keep this under review.

Investment restrictions and spread of investment risk

The Company invests and manages its assets with the objective of spreading risk and in accordance with its published investment policy. The Company ensures that the objective of spreading risk has been achieved by seeking to diversify its portfolio of assets by location, use, size, lease duration and tenant concentration. The properties described at pages 14 to 17 illustrate how the objective of spreading risk has been achieved.

The Company will not invest more than 10% of its gross assets in other listed closed-ended investment funds, except that this restriction shall not apply to investments in listed closed-ended investment funds which themselves have stated investment policies to invest no more than 15% of their gross assets in other listed closed-ended investment funds. Further, the Company will not itself invest more than 15% of its gross assets in other listed closed-ended investment funds. If the Company invests in other companies or closed-ended investment funds, which in turn invest in a portfolio of investments, the Company will ensure that the policies and objectives of the investee conform to the principal objectives of the Company.

Promotion

The Company promotes its shares to a broad range of investors which have the potential to be long-term supporters of the investment strategy. The Company seeks to achieve this through its Investment Manager and corporate broker and placing agents, which promote the shares of the Company through regular contact with both current and potential shareholders.

Promotion is focused via three channels:

- Discretionary fund managers. The Investment Manager promotes the Company via both London and regional teams. This market is the largest channel by a significant margin.
- Execution-only investors. The Company promotes its shares via engaging with platforms and through its webpage. Volume is smaller but platforms have experienced strong growth in recent times and are an important focus for the Investment Manager.
- The Company also promotes its shares to institutional investors.

The Board also seeks active engagement with investors and meetings with the Chairman are offered to professional investors where appropriate. These activities consist of investor lunches, one-on-one meetings, regional road shows and attendances at conferences for professional investors. In addition, the Company’s shares are supported by the Investment Manager’s wider marketing of investment companies targeted at all types of investors; this includes maintaining close relationships with adviser and execution-only platforms, advertising in the trade press, maintaining relationships with financial journalists and the provision of digital information on Schroders’ website.

Key performance indicators

The Board measures the development and success of the Company’s business through achievement of the Company’s investment objective, set out on page 2, which is considered to be the most significant key performance indicator for the Company. Comment on performance against the investment objective can be found in the Chairman’s statement.

The Board continues to review the Company’s Ongoing Charges to ensure that the total costs incurred by shareholders in the running of the Company remain competitive when measured against peer group funds. An analysis of the Company’s costs, including management fees, Directors’ fees and general expenses, is submitted to each Board meeting. The management fee is reviewed at least annually.

Corporate and social responsibility

Mandatory greenhouse gas emissions statement

As a UK closed-ended investment company listed on the London Stock Exchange, the Company is required by the Companies Act 2006 (Strategic Report and Directors’ Reports) Regulations 2013 to report on its annual greenhouse gas (“GHG”) emissions. This statement applies for the 12 months ended 30 September 2017.

The Company completed its first acquisition on 31 March 2016 with six further properties acquired through to June 2016, with all seven properties located outside of the UK in Germany and France. As a result, seven properties were held by the Company on 30 September 2016. In its 2016 Annual Report, the Company reported that the Investment Manager did not consider that appropriate information was available to make estimations of energy consumption levels for the periods of each property's ownership. As such, a declaration of GHG emissions from the emission sources required under the relevant legislation was not included in the 2016 Annual Report.

Since publication of the 2016 Annual Report, the Investment Manager, its third party property manager and sustainability consultant have been working to establish energy supply and consumption information for the portfolio. The Investment Manager operates an environmental management system aligned to ISO 14001 – the international standard for environmental management. The environmental management system provides a structured approach to collect and analyse data, establish improvement programmes (to address GHG performance) and formulate key performance indicators.

The Company's GHG footprint is calculated according to the principles of the Greenhouse Gas Protocol and reported for the 12 month period to 31 March 2017. Having regard to the availability of information, it is considered that this period is appropriate as it aligns with the Global Real Estate Sustainability Benchmark ("GRESB") reporting period. At 31 March 2017, the Company had acquired a further property in France and held eight properties in total. Operational Control is used as the organisational boundary and only emissions within the Company's direct control are included.
The Company's GHG emissions are reported as tonnes of carbon dioxide equivalent (CO2e), which includes the following emissions covered by the GHG Protocol: carbon dioxide (CO_2), methane (CH_4), hydrofluorocarbons (HFCs), nitrous oxide (N_20), perfluorocarbons (PFCs) and sulphur hexafluoride (SF_6).

Energy purchased by the Company as landlord and recharged to tenants on a non-metered basis is reported as part of the Company's Scope 1 and 2 emissions. Energy procured directly by tenants and that is outside of the Company's direct operational control, which would qualify as Scope 3 emissions under the GHG Protocol, is not reported here. This is in line with EPRA guidelines and Appendix F of the GHG Protocol Corporate Standard.

As an investment company with no direct employees there are no associated travel emissions within direct operational control.

GHG Emissions (Absolute Scope 1 and 2 emissions– tCO2e)

The table below sets out the Company's GHG emissions for the period 1 April 2016 to 31 March 2017:

	Absolute Emissions (tCO_2e) 2016/17
Scope 1 (Managed portfolio gas use)	200
Scope 2 (Managed portfolio electricity use)	101
Total	301

GHG Emissions (Scope 1 and 2 emissions intensities – tCO_2e)

The table below sets out the Company's GHG emissions intensities by sector for the period 1 April 2016 to 31 March 2017:

	Emissions Intensities (tCO^2e) 2016/17
Per m^2 - Office	0.0146
Per m^2 - Retail, Shopping Centre	0.0225

- Methodology:
  - The Company's GHG inventory has been developed as follows:
    - Fuels/Electricity: Federal Ministry for the Environmental Protection, Buildings and Security 'Okobaudat' (2016). Sustainable Construction Informational Portal.
  - GHG emissions from electricity (Scope 2) are reported according to the 'location-based' approach.

- GHG emissions data relates to the managed portfolio only and energy consumed in common areas and/or as part of a shared service (i.e. operation of central plant). GHG emissions associated with electricity consumed in tenant areas is not reported.
- Normalisation: A tCO_2e/m^2 is reported for assets within the absolute portfolio. The numerator is landlord-managed GHG emissions from energy consumption and the denominator is net lettable floor area (m^2).

Board gender diversity

As at 30 September 2017, the Board comprised three men. The Board's approach to diversity is that candidates for Board vacancies are selected based on their skills and experience, which are matched against the balance of skills and experience of the overall Board taking into account the specific criteria for the role being offered. Candidates are not specifically selected on the grounds of their gender but this is taken into account in terms of overall balance, skillset and experience.

Anti-bribery and corruption policy

The Company continues to be committed to carrying out its business fairly, honestly and openly and continues to operate an anti-bribery policy.

Principal risks and uncertainties

The Board is responsible for the Company's system of risk management and internal control and for reviewing its effectiveness. The Board has adopted a detailed matrix of principal risks affecting the Company's business as an investment trust and has established associated policies and processes designed to manage and, where possible, mitigate those risks, which are monitored by the Audit and Valuation Committee on an ongoing basis. This system assists the Board in determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives. Both the principal risks and the monitoring system are also subject to robust review at least annually. The last review took place in November 2017.

Although the Board believes that it has a robust framework of internal control in place this can provide only reasonable, and not absolute, assurance against material financial misstatement or loss and is designed to manage, not eliminate, risk.

A summary of the principal risks and uncertainties faced by the Company which have remained unchanged throughout the year ended 30 September 2017, and actions taken by the Board and, where appropriate, its Committees, to manage and mitigate these risks and uncertainties, is set out below.

Risk	**Mitigation and management**
Strategic The Company's investment objectives may become out of line with the requirements of investors, resulting in a wide discount of the share price to underlying NAV per share.	Appropriateness of the Company's investment remit periodically reviewed and success of the Company in meeting its stated objectives monitored. Share price relative to NAV per share monitored. Marketing and distribution activity is actively reviewed.
Investment management The Investment Manager's investment strategy, if inappropriate, may result in the Company underperforming the market and/or peer group companies, leading to the Company and its objectives becoming unattractive to investors.	Review of: the Investment Manager's compliance with the agreed investment restrictions, investment performance and risk against investment objectives and strategy; relative performance; the portfolio's risk profile; and appropriate strategies employed to mitigate any negative impact of substantial changes in markets, including any potential disruption to capital markets.

	Annual review of the ongoing suitability of the Investment Manager.
Custody Safe custody of the Company's assets may be compromised through control failures.	Depositary verifies ownership and legal entitlement, and reports on safe custody of the Company's assets, including cash. Quarterly report from the Depositary on its activities.
Gearing and leverage The Company utilises credit facilities. These arrangements increase the funds available for investment through borrowing. While this has the potential to enhance investment returns in rising markets, in falling markets the impact could be detrimental to performance.	Gearing is monitored and strict restrictions on borrowings imposed.
Accounting, legal and regulatory In order to continue to qualify as an investment trust, the Company must comply with the requirements of section 1158 of the Corporation Tax Act 2010. Breaches of the UK Listing Rules, the Companies Act, or other regulations with which the Company is required to comply, could lead to a number of detrimental outcomes.	Confirmation of compliance with relevant laws and regulations by key service providers. Shareholder documents and announcements, including the Company's published Annual Report, are subject to stringent review processes. Procedures established to safeguard against unauthorised disclosure of inside information.
Service provider The Company has no employees and has delegated certain functions to a number of service providers. Failure of controls and poor performance of any service provider could lead to disruption, reputational damage or loss.	Service providers appointed subject to due diligence processes and with clearly documented contractual arrangements detailing service expectations. Regular reporting by key service providers and monitoring of the quality of services provided. Review of annual audited internal controls reports from key service providers, including confirmation of business continuity arrangements.

Risk assessment and internal controls

Risk assessment includes consideration of the scope and quality of the systems of internal control operating within key service providers, and ensures regular communication of the results of monitoring by such providers to the Audit and Valuation Committee, including the incidence of significant control failings or weaknesses that have been identified at any time and the extent to which they have resulted in unforeseen outcomes or contingencies that may have a material impact on the Company's performance or condition. No significant control failings or weaknesses were identified from the Audit and Valuation Committee's ongoing risk assessment which has been in place throughout the financial year and up to the date of this Report.

A full analysis of the financial risks facing the Company is set out in note 20 on pages 73 to 78.

Viability statement

The Board is required to give a statement on the Company's viability which considers the Company's current position and principal risks and uncertainties together with an assessment of future prospects.

The Board conducted this review over a five year time horizon which is selected to match the period over which the Board monitors and reviews its financial performance and forecasting. The Investment Manager prepares five year total return forecasts for the Continental European commercial real estate market. The Investment Manager uses these forecasts as part of analysing acquisition opportunities as well as for its annual asset level business planning process. At the annual strategy day and Investment Manager visit the Board receives an overview of the asset level business plans which the Investment Manager uses to assess the performance of the underlying portfolio and therefore make investment decisions such as disposals and investing capital expenditure. The Company's principal borrowings are for a weighted duration of 6.8 years and the average unexpired lease term, assuming all tenants vacate at the earliest opportunity, is 6.8 years.

The Board's assessment of viability considers the principal risks and uncertainties faced by the Company, as detailed in the Strategic review on pages 23 and 24, which could negatively impact its ability to deliver the investment objective, strategy, liquidity and solvency. This includes consideration of a cash flow model prepared by the Investment Manager that analyses the sustainability of the Company's cash flows, dividend cover, compliance with bank covenants, and general liquidity requirements for a five year period.

Based on the assessment, the Directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of their assessment.

Going concern

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

After due consideration, the Board believes it is appropriate to adopt the going concern basis in preparing the financial statements.

By order of the Board

Schroder Investment Management Limited
Company Secretary
5 December 2017

GOVERNANCE

Board of Directors

Sir Julian Berney Bt.
Status: Independent Non-Executive Chairman
Date of appointment: 6 November 2015
Experience: Aged 65, has over 40 years' real estate experience. During this period he has worked on property investment portfolios in the UK, Scandinavia, and Continental Europe. In recent years he has assisted Cityhold, part of the National Pension Fund of Sweden, to acquire and manage its property investment portfolio in the UK and Continental Europe. Formerly he was a director at BNP Paribas Real Estate Investment Management with responsibilities to its European Fund and with Aberdeen Property Investors to develop its property funds. A large part of his career was at Jones Lang LaSalle where he was an International Director and held a number of senior appointments including Chairman of the Scandinavian businesses, a director of the European Business Team, and a member of the European Capital Markets Board. He is a Fellow of the Royal Institution of Chartered Surveyors.
Committee membership: Audit and Valuation, Management Engagement and Nomination Committees (Chairman of the Nomination Committee)
Current remuneration: £35,000 per annum
Material interests in any contract which is significant to the Company’s business: None
Shared directorships with any other Director of the Company: None

Mr Mark Patterson
Status: Independent Non-Executive Director
Date of appointment: 29 October 2015
Experience: Aged 63, is an international banker with over 30 years' experience in investment banking and strategic planning. He is presently an Operating Partner with Corsair Capital and was formerly with Standard Chartered Bank where he had been responsible for the development and execution of Standard Chartered's Inorganic growth strategy and where he led a number of the Bank's acquisitions and investments as well as its own equity fundraisings. He had previously held senior investment banking positions with Australia and New Zealand Bank and with Deutsche Bank. He graduated from Oxford University, qualified as a solicitor and worked with Slaughter and May prior to his move into banking.
Committee membership: Audit and Valuation, Management Engagement and Nomination Committees (Chairman of the Management Engagement Committee)
Current remuneration: £30,000 per annum
Material interests in any contract which is significant to the Company’s business: None
Shared directorships with any other Director of the Company: None

Mr Jonathan Thompson
Status: Independent Non-Executive Director
Date of appointment: 29 October 2015
Experience: Aged 59, Non-executive Chairman of the Argent group of real estate regeneration, development and investment businesses, Chairman of the Investment Property Forum, an independent member of the investment advisory board to a family wealth fund and a non-executive member of the Board of the South West London & St George’s Mental Health Trust where he chairs the Finance and investment board subcommittee. Until 30 September 2017, he was a non-executive board member at Strutt & Parker and chair of the remuneration committee. An accountant by background, he spent 32 years at KPMG including 12 years as Chair of KPMG’s International Real Estate & Construction practice. He is a member of the Institute of Chartered Accountants and an Honorary Fellow of the Royal Institution of Chartered Surveyors.
Committee membership: Audit and Valuation, Management Engagement and Nomination Committees (Chairman of the Audit and Valuation Committee)
Current remuneration: £30,000 per annum
Material interests in any contract which is significant to the Company’s business: None
Shared directorships with any other Director of the Company: None

Directors' report

The Directors submit their report and the audited consolidated financial statements of the Company and its subsidiaries (together, the "Group") for the year ended 30 September 2017.

Dividend and dividend policy

Having already paid interim dividends amounting to 3.70 euro cents per share, the Board has declared a fourth interim dividend of 1.5 euro cents per share for the year ended 30 September 2017, which is payable on 19 January 2018 to shareholders on the Register on 5 January 2018. Thus, dividends for the year amount to 5.2 euro cents (2016: 1.7 euro cents) per share, more than doubling the prior year's dividend due to further capital having been deployed.

Once fully invested, including the debt being drawn, the Company will target an annualised euro dividend yield of 5.5%, based on the euro equivalent of the issue price as at Admission.

In line with the Board's policy, it is expected that interim dividends on the Company's ordinary shares will continue to be declared and paid quarterly.

Directors and their interests

The Directors of the Company and their biographical details can be found on page 26. All Directors held office throughout the year under review. Details of Directors' share interests in the Company are set out in the Remuneration Report on page 39.

While the Company's articles of association and the UK Corporate Governance Code do not require a Director to retire at the AGM, the Board has agreed that at least one Director should be put forward for re-election each year. Accordingly, Sir Julian Berney Bt. will retire at the AGM and, being eligible, will offer himself for re-election.

Re-appointment as a Director is not automatic and follows a formal process of evaluation of each Director's performance and Directors who have served for more than six years will be subject to particularly rigorous assessment of their independence and contribution.

The Board does not believe that length of service, by itself, necessarily affects a Director's independence of character or judgment. Directors who have served for more than nine years on the Board may therefore continue to offer themselves for re-election at the AGM. While this will not apply to the Directors for several years, an annual assessment of independence is still carried out. The Board has assessed the independence of the Directors, all of whom are considered to be independent in character and judgment.

The Board, having taken all relevant matters into account, considers that Sir Julian Berney Bt. continues to demonstrate commitment to his role, provides a valuable contribution to the deliberations of the Board, and remains free from conflicts with the Company and its Directors. It therefore recommends that shareholders vote in favour of his re-election.

Share capital

During the year, 12,500,000 ordinary shares at an issue price of £1.20 per share were placed under the placing programme. As at the date of this Report, the Company had 133,734,686 ordinary shares of 10p each in issue. No shares are held in treasury. Accordingly, the total number of voting rights in the Company at the date of signing this Report is 133,734,686. Further details of the Company's share capital and changes during the year under review, are set out in note 16 on page 71.

Substantial share interests

The Company has received notifications in accordance with the FCA's Disclosure Guidance and Transparency Rule 5.1.2R of the below interests in 3% or more of the voting rights attaching to the Company's issued share capital:

	Number of ordinary shares as at 30 September 2017	Percentage of total voting rights	Ordinary shares as at 5 December 2017	Percentage of total voting rights
Schroders plc	24,651,594	18.43	24,651,594	18.43
Investec Wealth and Investment Limited	14,487,451	10.83	13,334,600	9.97
Truffle Asset Management Pty Ltd	13,374,389	10.00	13,374,389	10.00
Wesleyan Assurance Society	4,042,500	3.02	4,042,500	3.02

Key service providers

The Board has adopted an outsourced business model and has appointed the following key service providers:

Investment Manager

The Company is an Alternative Investment Fund as defined by the Alternative Investment Fund Managers Directive and has appointed the Investment Manager to provide investment and asset management services to the Company and its subsidiaries and to act as its alternative investment fund manager ("AIFM") in accordance with the terms of an Investment Management Agreement. The Investment Management Agreement, which is governed by the laws of England and Wales, can be terminated by either party on twelve months' notice (such notice to expire not earlier than 9 December 2018) or on immediate notice in the event of certain breaches or the insolvency of either party.

The Investment Manager is authorised and regulated by the FCA and provides portfolio management, risk management, accounting and company secretarial services to the Company under the Investment Management Agreement. The Investment Manager also provides general marketing support for the Company and manages relationships with key investors, in conjunction with the Chairman, other Board members or the corporate brokers as appropriate. The Investment Manager has delegated fund accounting and company secretarial services to another wholly owned subsidiary of Schroders plc, Schroder Investment Management Limited. The Investment Manager has in place appropriate professional indemnity cover.

The Schroders Group (being Schroders plc and its subsidiaries, including the Investment Manager) manages £419.6 billion (as at 30 September 2017) on behalf of institutional and retail investors, financial institutions and high net worth clients from around the world, invested in a broad range of asset classes across equities, fixed income, multi-asset and alternatives.

The Investment Manager is entitled to a fee at the rate of 1.1% of the EPRA (European Public Real Estate Association) NAV of the Company per annum where the EPRA NAV of the Company is less than or equal to £500 million. To the extent that EPRA NAV of the Company is greater than £500 million, the rate to be applied to such excess shall instead be 1.0% of the EPRA NAV, in each case, exclusive of VAT.

The management fee payable in respect of the year ended 30 September 2017 amounted to €1,849,000 (2016: €1,402,000).

During the year ended 30 September 2017 the Investment Manager was entitled to receive a fee of €56,000 (2016: €48,000) for secretarial services provided to the Company.

Details of all amounts payable to the Investment Manager are set out in note 3 on page 63.

The Board reviews the Investment Manager's performance at its quarterly Board meetings. In addition, the Board made its annual visit to the Investment Manager's office in November 2017 to review portfolio strategy and the Investment Manager's capabilities. Subsequently, the Management Engagement Committee formally discussed the performance of the Investment Manager and its fees. On the basis of this review, the Board remains satisfied that the Investment Manager has the appropriate capabilities required to allow the Company to achieve its investment objective, and believes that the continuing appointment of the Investment Manager is in the interest of shareholders as a whole.

Depositary

Langham Hall UK Depositary LLP, which is authorised and regulated by the FCA, carries out certain duties of a Depositary specified in the AIFM Directive including, in relation to the Company, as follows:

- safekeeping of the assets of the Company which are entrusted to it;
- monitoring of the Company's cash flows; and
- oversight of the Company and the Investment Manager.

The Company, the Investment Manager or the Depositary may terminate the Depositary Agreement at any time by giving to the other parties not less than three months' written notice. The Depositary may only be removed from office when a new Depositary is appointed by the Company.

Corporate Governance

The Board is committed to high standards of corporate governance and has implemented a framework for corporate governance which it considers to be appropriate for an investment trust in order to comply with the principles of the UK Corporate Governance Code. The Financial Reporting Council published a revised version of the UK Corporate Governance Code in April 2016 (the "Code") which applies to accounting periods beginning on or after 17 June 2016 and the disclosures in this statement report against its provisions. The Code is published by the UK Financial Reporting Council and is available to download from www.frc.org.uk.

Compliance Statement

The UK Listing Authority requires all UK listed companies to disclose how they have complied with the provisions of the Code. This Corporate Governance Statement, together with the Statement of Directors' Responsibilities set out on page 36 and the viability and going concern statements set out on page 25, indicate how the Company has complied with the Code's principles of good governance and its requirements on internal control.

The Board believes that the Company has, throughout the year under review, complied with all relevant provisions set out in the Code, save in respect of the appointment of a Senior Independent Director, where departure from the Code is considered appropriate given the Company's position as an investment trust. The Board has considered whether a Senior Independent Director should be appointed. As the Board comprises entirely non-executive Directors, the appointment of a Senior Independent Director is not considered necessary. However, the Chairman of the Audit and Valuation Committee effectively acts as the Senior Independent Director, leads the evaluation of the performance of the Chairman and is available to Directors and/or shareholders if they have concerns which cannot be resolved through discussion with the Chairman.

Operation of the Board

Chairman

The Chairman is an independent non-executive Director who is responsible for leadership of the Board and ensuring its effectiveness in all aspects of its role. The Chairman's other significant commitments are detailed on page 26. He has no conflicting relationships.

Role and operation of the Board

The Board is the Company's governing body; it sets the Company's strategy and is collectively responsible to shareholders for its long-term success. The Board is responsible for appointing and subsequently monitoring the activities of the Investment Manager and other service providers to ensure that the investment objective of the Company continues to be met. The Board also ensures that the Investment Manager adheres to the investment restrictions set by the Board and acts within the parameters set by it in respect of any gearing.

A formal schedule of matters specifically reserved for decision by the Board has been defined and a procedure adopted for Directors, in the furtherance of their duties, to take independent professional advice at the expense of the Company.

The Chairman ensures that all Directors receive relevant management, regulatory and financial information in a timely manner and that they are provided, on a regular basis, with key information on the Company's policies, regulatory requirements and internal controls. The Board receives and considers reports regularly from the Investment Manager and other key advisers and ad hoc reports and information are supplied to the Board as required.

The Board is satisfied that it is of sufficient size with an appropriate balance of diverse skills and experience, independence and knowledge of the Company, its sector and the wider investment trust industry, to enable it to discharge its duties and responsibilities effectively and that no individual or group of individuals dominates decision making.

Training and development

On appointment, Directors receive a full induction. Directors are also regularly provided with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes affecting Directors' responsibilities are advised to the Board as they arise. Directors also regularly participate in relevant training and industry seminars. Training and development needs are included as part of the evaluation process and are agreed with the Chairman.

Conflicts of interest

The Board has approved a policy on Directors' conflicts of interest. Under this policy, Directors are required to disclose all actual and potential conflicts of interest to the Board as they arise for consideration and approval. The Board may impose restrictions or refuse to authorise such conflicts if deemed appropriate.

Board evaluation

In order to review the effectiveness of the Board, the Committees and the individual Directors, a thorough evaluation process is in place. This is implemented by way of a questionnaire and discussions with the Chairman. In respect of the Chairman himself, discussions are held between the Directors and the Audit and Valuation Committee Chairman. The process is considered by the Board to be constructive in terms of identifying areas for improving the functioning and performance of the Board and the Committees, the contribution of individual Directors and building and developing individual and collective strengths. The last evaluation took place during 2017.

Directors' and officers' liability insurance and indemnity

Directors' and officers' liability insurance cover has been in place for the Directors throughout the year. The Articles provide, subject to the provisions of UK legislation, an indemnity for Directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as Directors, in which they are acquitted or judgment is given in their favour by the Court. This indemnity was in place throughout the year under review and to the date of this report.

Directors' attendance at meetings

Four Board meetings are usually scheduled each year to deal with matters including: the setting and monitoring of investment strategy; approval of borrowings; review of investment performance, the level of discount of the Company's shares to underlying NAV per share, promotion of the Company and services provided by third parties. In addition, a strategy meeting is held each year. Additional meetings of the Board are arranged as required.

The number of quarterly meetings of the Board and its committees held during the financial year and the attendance of individual Directors is shown below. Whenever possible all Directors attend the Annual General Meeting.

	Board	Audit and Valuation Committee	Nomination Committee	Management Engagement Committee
Sir Julian Berney Bt. (Chairman)	4/4	4/4	1/1	1/1
Jonathan Thompson	4/4	4/4	1/1	1/1
Mark Patterson	4/4	4/4	1/1	1/1

In addition to its regular quarterly meetings, the Board met on various ad hoc occasions as necessary during the year ended 30 September 2017.

The Board is satisfied that the Chairman and each of the other non-executive Directors commit sufficient time to the affairs of the Company to fulfil their duties as Directors.

Relations with shareholders

Shareholder relations are given high priority by both the Board and the Investment Manager. The Company communicates with shareholders through its webpages and the Annual and Half Year Reports which aim to provide shareholders with a clear understanding of the Company's activities and its results.

The Chairmen of the Board and its Committees attend the AGM and are available to respond to queries and concerns from shareholders.

It is the intention of the Board that the Annual Report and Notice of the AGM be issued to shareholders so as to provide at least 20 working days' notice of the AGM. Shareholders wishing to lodge questions in advance of the AGM are invited to do so by writing to the Company Secretary at the Company's registered office.

The Company has adopted a policy on complaints and other shareholder communications which ensures that shareholder complaints and communications addressed to the Company Secretary, the Chairman, or the Board are, in each case, considered by the Chairman and the Board.

Committees

In order to assist the Board in fulfilling its governance responsibilities, it has delegated certain functions to Committees. The roles and responsibilities of these Committees, together with details of work undertaken during the year under review, are outlined over the next few pages.

The Committees of the Board have defined Terms of Reference which are available on the webpage www.schroders.co.uk/sereit. Membership of the Committees is set out on page 26.

Nomination Committee

The Nomination Committee is responsible for succession planning bearing in mind the balance of skills, knowledge, experience and diversity existing on the Board and will recommend to the Board when the further recruitment of non-executive Directors is required. The Nomination Committee aims to maintain a balance of relevant skills, experience and length of service of the Directors serving on the Board, taking gender and other diversity factors into account.

Before the appointment of a new Director, the Nomination Committee prepares a description of the role and capabilities required for a particular appointment. While the Committee is dedicated to selecting the best candidate for the role, the Board also recognises the importance of diversity. The Board agrees that its members should overall possess a range of experience, knowledge, professional skills and personal qualities as well as independence necessary to provide effective oversight of the affairs of the Company. These qualities are taken into account in considering the appointment of a new Director. The Board does not consider it appropriate or to be in the interests of shareholders as a whole to establish prescriptive diversity targets.

Candidates are drawn from suggestions put forward either by recommendation from within the Company or by the use of an external agency. Candidates are then interviewed by members of the Committee, which makes a recommendation to the Board.

To discharge its duties, the Nomination Committee met once during the year to consider its terms of reference and the overall composition of the Board, including Board balance, skills and diversity.

Management Engagement Committee

The role of the Management Engagement Committee is to ensure that the Investment Manager remains suitable to manage the portfolio, the management contract is competitive and reasonable for shareholders, and the Company maintains appropriate administrative and company secretarial support. The Committee also reviews the services provided by other service providers. All Directors are members of the Management Engagement Committee which is chaired by Mr Patterson. The Board considers each member of the Committee to be independent.

The Management Engagement Committee met once during the year under review and considered its terms of reference, the performance and suitability of the Investment Manager, the terms and conditions of the Investment Management Agreement, the performance and suitability of other service providers, and the fees paid to Directors.

Audit and Valuation Committee

The role and activities of the Audit and Valuation Committee are set out in the report of the Audit and Valuation Committee overleaf, which is incorporated in, and forms part of, the Directors' report.

By order of the Board

Schroder Investment Management Limited
Company Secretary

5 December 2017

Report of the Audit and Valuation Committee

The responsibilities and work carried out by the Audit and Valuation Committee in the year under review are set out in the following report. The duties and responsibilities of the Committee may be found in the terms of reference. Membership of the Committee is as set out on page 26. The Board has satisfied itself that at least one of the Committee's members has recent and relevant financial experience.

The Committee met four times during the year ended 30 September 2017. The Committee discharged its responsibilities by:

- reviewing the property valuations prepared by Knight Frank LLP;
- considering its terms of reference;
- reviewing the Half Year and Annual Report and Accounts and related audit plan and engagement letter;
- reviewing the need for an internal audit function;
- reviewing the independence of the Auditors;
- evaluating the Auditors' performance; and
- reviewing the principal risks faced by the Company and the system of internal control.

Annual report and financial statements

During its review of the Company's financial statements for the year ended 30 September 2017, the Audit and Valuation Committee considered the following significant issues, including principal risks and uncertainties in light of the Company's activities, and issues communicated by the Auditors during its reporting:

Matter	Action
Property valuation Property valuation is central to the business and is a significant area of judgement. Although valued by an independent firm of valuers, Knight Frank LLP, the valuation is inherently subjective. Errors in valuation could have a material impact on the Company's net asset value.	The Audit and Valuation Committee reviewed the outcomes of the valuation process throughout the year and discussed the detail of each quarterly valuation with the Investment Manager at the Committee meetings. The Audit and Valuation Committee met with Knight Frank LLP outside the formal meeting structure to discuss the process, assumptions, independence and communication with the Investment Manager. Furthermore, as this is the main area of audit focus, the auditors contact the valuers directly and independently of the Investment Manager. The Audit and Valuation Committee receives detailed verbal and written reports from the Auditors on this matter as part of their half-year and year end reporting to the Audit and Valuation Committee. On the basis of the above, the Audit and Valuation Committee concluded that the valuations were suitable for inclusion in the financial statements.
Overall accuracy of the Annual Report and Accounts	Consideration of the draft Annual Report and Accounts and the letter from the Investment Manager in support of the letter of representation to the Auditors.
Calculation of the investment management fee	Consideration of methodology used to calculate the

	fee, matched against the criteria set out in the Investment Management Agreement.
Internal controls and risk management	Consideration of several key aspects of internal control and risk management operating within the Investment Manager and other key service providers.
Compliance with the investment trust qualifying rules in s.1158 of the Corporation Tax Act 2010	Consideration of the Investment Manager's report confirming compliance.

As a result of the work performed, the Committee has concluded that the Annual Report for the year ended 30 September 2017, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy, and has reported on these findings to the Board. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 36.

Effectiveness of the independent audit process

The Audit and Valuation Committee evaluated the effectiveness of the independent audit firm and process prior to making a recommendation on its re-appointment at the forthcoming AGM. This evaluation involved an assessment of the effectiveness of the Auditors' performance against agreed criteria including: qualification; knowledge, expertise and resources; independence policies; effectiveness of audit planning; adherence to auditing standards; and overall competence. As part of the evaluation, the Committee considered feedback from the Investment Manager on the audit process and the year end report from the Auditors, which details compliance with regulatory requirements, on safeguards that have been established, and on their own internal quality control procedures. The members of the Committee also were given the opportunity to meet with the Auditors without representatives of the Investment Manager present.

Representatives of the Auditors attend the Audit and Valuation Committee meeting at which the draft Annual Report and Accounts is considered. Having reviewed the performance of the Auditors as described above, the Committee considered it appropriate to recommend the firm's re-appointment.

There are no contractual obligations restricting the choice of external auditors.

Independent Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office. Accordingly, resolutions to re-appoint PricewaterhouseCoopers LLP as auditors to the Company, and to authorise the Directors to determine their remuneration will be proposed at the AGM.

Provision of information to the Auditors

The Directors at the date of approval of this Report confirm that, so far as each of them is aware, there is no relevant audit information of which the Company's Auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

Provision of non-audit services

The Audit and Valuation Committee has reviewed the Financial Reporting Council's Guidance on Audit Committees and has formulated a policy on the provision of non-audit services by the Company's Auditors. The Audit and Valuation Committee has determined that the Company's appointed Auditors may, if required, provide non-audit services however, this will be judged on a case-by-case basis, prior to any such services being carried out.

During the year, total fees for non-audit services amounted to €4,000 (2016: €129,000), approximately 1% of fees paid to the Company's Auditors. These fees were paid in respect of the provision of services as the Company's Reporting Accountant during the placing under the placing programme which took place in October 2016.

Internal audit

The Company does not have an internal audit function; it delegates to third parties most of its operations and does not employ any staff. The Audit and Valuation Committee will continue to monitor the system of internal control in order to provide assurance that it operates as intended and the Directors will annually review whether an internal audit function is needed.

Jonathan Thompson
Audit and Valuation Committee Chairman
5 December 2017

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable Accounting Standards, IFRS as adopted by the European Union, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS regulation. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Investment Manager is responsible for the maintenance and integrity of the Company's webpage. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed on page 26, confirm that to the best of their knowledge:

- the financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and net return of the Group and the undertakings included in the consolidation taken as a whole;
- the Strategic Report contained in the Report and Accounts includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that it faces; and
- the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's position and performance, business model and strategy.

On behalf of the Board

Sir Julian Berney Bt.
Chairman
5 December 2017

Directors' remuneration report

This Report has been prepared in accordance with the relevant provisions of the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

The following Remuneration Policy is currently in force and is subject to a binding vote every three years. The next vote will take place at the AGM in 2020 and the current policy provisions will apply until that date. The below Directors' Annual Report on Remuneration is subject to an annual advisory vote. An ordinary resolution to approve this Report will be put to shareholders at the forthcoming AGM.

At the AGM held on 8 February 2017, 100% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the Remuneration Policy were in favour. There were no votes against.

At the AGM held on 8 February 2017, 100% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the Report on Remuneration for the period ended 30 September 2016 were in favour. There were no votes against.

Directors' remuneration policy

The determination of the Directors' fees is considered by the Management Engagement Committee and the Board.

It is the Board's policy to determine the level of Directors' remuneration having regard to amounts payable to non-executive directors in the industry generally, the role that individual directors fulfil in respect of Board and Committee responsibilities, and time committed to the Company's affairs, taking into account the aggregate limit of fees set out in the Company's Articles. This aggregate level of Directors' fees is currently set at £500,000 per annum and any increase requires approval by the Board and the Company's shareholders.

The Chairman of the Board receives fees at a higher rate than the other Directors to reflect his additional responsibilities. Directors' fees are set at a level to recruit and retain individuals of sufficient calibre, with the level of knowledge, experience and expertise necessary to promote the success of the Company in reaching its short and long-term strategic objectives.

The Board and its Committees exclusively comprise non-executive Directors. No Director past or present has an entitlement to a pension, and the Company has not, and does not intend to operate a share scheme for Directors or to award any share options or long-term performance incentives to any Director. No Director has a service contract with the Company. However, Directors have a letter of appointment. Directors do not receive exit payments and are not provided with any compensation for loss of office. No other payments are made to Directors other than the reimbursement of reasonable out-of-pocket expenses incurred in attending to the Company's business.

The terms of Directors' letters of appointment are available for inspection at the Company's registered office address during normal business hours and during the AGM at the location of such meeting.

The Board did not seek the views of shareholders in setting this Remuneration Policy. Any comments on the Policy received from shareholders would be considered on a case-by-case basis.

As the Company does not have any employees, no employee pay and employment conditions were taken into account when setting this Remuneration Policy and no employees were consulted in its construction.

Directors' fees are reviewed annually and take into account research from third parties on the fee levels of directors of peer group companies, as well as industry norms and factors affecting the time commitment expected of the Directors. New Directors are subject to the provisions set out in this Remuneration Policy.

Directors' annual report on remuneration

This Report sets out how the Directors' remuneration policy was implemented during the year ended 30 September 2017.

Fees paid to Directors

During the year ended 30 September 2017, the Chairman was paid a fee of £35,000 and the other members of the Board were each paid a fee of £30,000.

The following amounts were paid by the Company to the Directors for services as non-executive Directors in respect of the year ended 30 September 2017 and the previous financial year.

	Fees		**Taxable benefits**[1]		**Total**	
Director	**2017 £**	**2016 £**	**2017 £**	**2016 £**	**2017 £**	**2016 £**
Sir Julian Berney Bt.[2]	35,000	36,964	95	-	35,095	36,964
Jonathan Thompson[3]	30,000	30,247	-	-	30,000	30,247
Mark Patterson[3]	30,000	30,247	270	-	30,270	30,247
Total	95,000	97,458	365	-	95,365	97,458

[1]Comprises amounts reimbursed for expenses incurred in carrying out business for the Company.
[2]Appointed 6 November 2015.
[3]Appointed 29 October 2015.

The information in the above table has been audited (see the Independent Auditors' Report on pages 43 to 49).

Consideration of matters relating to Directors' remuneration

Directors' remuneration was last reviewed by the Board and the Management Engagement Committee in November 2017. The members of the Board and the Management Engagement Committee at the time that remuneration levels were considered were as set out on page 26. Although no external advice was sought in considering the levels of Directors' fees, information on fees paid to Directors of other Schroders investment trusts was taken into consideration.

Following the annual review, the Board decided that Directors' fees should remain unchanged.

Expenditure by the Company on remuneration and distributions to shareholders

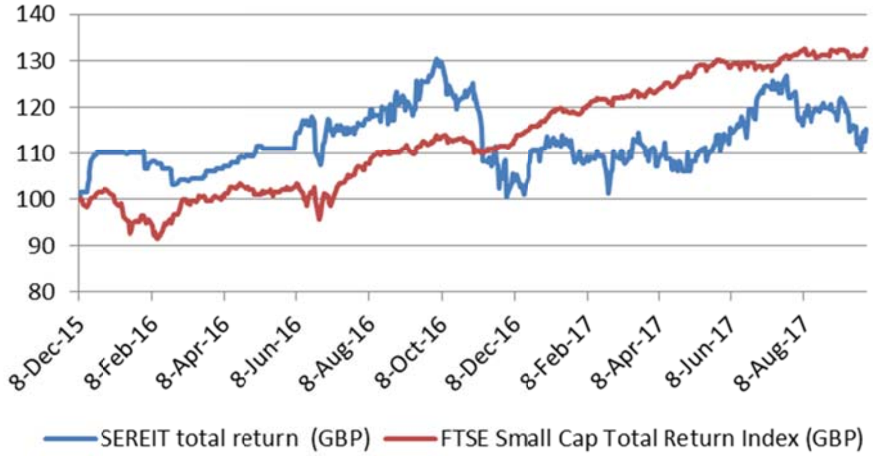
The table below compares the remuneration paid to Directors to distributions made to shareholders during the year under review and the prior financial year. In considering these figures, shareholders should take into account the euro dividend target during the first operating year of the Company to 30 September 2016 was 1.5 to 2% based on the euro equivalent of the issue price as at Admission.

	Year ended 30 September 2017 (£'000)	Year ended 30 September 2016 (£'000)	Change (%)
Remuneration payable to Directors.	95	102	-7
Dividends paid to shareholders	5,425	827	+656

The information in the above table has been audited.

Share price total return

The graph below compares the Company's share price total return with the total return of the FTSE Small Cap Total Return Index, which is considered to be an appropriate index by which to assess the Company's relative performance.



Directors' share interests

The Company's Articles of Association do not require Directors to own shares in the Company. The interests of Directors, including those of connected persons, in the Company's ordinary shares of 10p each, at the beginning and end of the financial year under review are set out below.

Director	At 30 September 2017	At 1 October 2016
Sir Julian Berney Bt.	10,000	10,000
Jonathan Thompson	10,000	10,000
Mark Patterson	10,000	10,000

The information in the above table has been audited.

There have been no changes to the interests of any of the Directors since the year end.

Sir Julian Berney Bt.
Chairman
5 December 2017

Sustainability report

The Board and the Investment Manager believe that corporate social responsibility is key to long-term future business success.

The Investment Manager states in its Responsible Real Estate Investment Report:

‘The changes in markets as a consequence of environmental and social issues are simply investment risks that Schroders must understand to protect our clients’ assets from depreciation.

Offering occupiers resource-efficient and flexible space is critical to ensure our investments are fit for purpose and sustain their value over the long-term. As a landlord, we have the opportunity to help reduce running costs for our occupiers, increase employee productivity and well-being, and contribute to the prosperity of a location through building design and management. Ignoring these issues when considering asset management and investments would risk the erosion of income and value as well as missing opportunities to enhance investment returns.

Through its construction, use and demolition, the built environment accounts for more than one-third of global energy use and is the single largest source of greenhouse gas emissions in many countries.

The industry’s potential to cost-efficiently reduce emissions and the consumption of depleting resources, combined with the political imperative to tackle issues such as climate change, means the property sector will remain a prime target for policy action. This presents new challenges and opportunities for the real estate industry with profound implications for both owners and occupiers.

A good investment strategy must incorporate environmental and social issues alongside traditional economic considerations. At Schroders we believe a complete approach should be rewarded by improved investment decisions and performance.’

Environmental management system

This year the Investment Manager, led by its Head of Sustainability, has continued to work with sustainability and energy management consultancy Evora Global to develop its Environmental Management System (“EMS”). The EMS is aligned with the internationally recognised standard ISO 14001. The EMS provides the framework for how sustainability principles (environmental and social) are managed throughout all stages of its investment process including acquisition due diligence, asset management, property management provided by third parties, refurbishments and developments, through to disposal. The Investment Manager reviews its sustainability policy annually which is approved by its Investment Committee. Key aspects of the policy and its objectives are set out below.

Property manager sustainability requirements

Property managers play an integral role in supporting the sustainability program. The Investment Manager has established a set of sustainability requirements for property managers to adhere to in the course of delivering their property management services. These requirements are discussed and established with the property managers responsible for the Company’s properties as required. The aim is to improve the understanding of each asset’s sustainability credentials and manage opportunities for improvement. The requirements include a set of key performance indicators to help improve the property managers sustainability related services to the Company and which are assessed on a six-monthly and annual basis. The first assessment will be made in November 2017.

Energy

Energy is an important element of landlord’s responsibilities for buildings where the landlord has operational control. A key part of the Investment Manager’s approach is to improve energy efficiency and reduce energy consumption. This will benefit tenants’ occupational costs and should help tenant retention and attracting new tenants. The Investment Manager has continued to develop the monitoring of the Company’s energy usage and efficiency as well as water and waste with analysis and reporting six monthly and annually. The energy management program includes setting targets to improve sustainability effectiveness.

The Energy Performance Certificate profile for the portfolio is set out within the EPRA Sustainability Reporting Performance Measures.

Improvements, refurbishments and green building certifications

The Investment Manager seeks to carry out improvements and deliver refurbishments to sustainable standards and enhance operational performance. Where appropriate, buildings will be certified to the international BREEAM (the Building Research Establishment Environmental Assessment Methodology, an environmental assessment method and rating system for buildings) or LEED (Leadership in Energy and Environmental Design) standards.

Water

The Investment Manager monitors water consumption where the landlord has supply responsibilities and encourages asset-level improvements.

Waste

Waste management and disposal activities are responsible for considerable negative environmental and societal impact. As a result, waste should be minimised and disposal should be as sustainable as possible. To this end, the Investment Manager has set an objective to send zero waste to landfill and to achieve optimal recycling. For the period no waste to landfill was reported.

EPRA sustainability reporting performance measures

This year the Report includes EPRA sustainability performance measures setting out environmental performance indicator data for the portfolio, aligned with EPRA Best Practices Recommendations on Sustainability Reporting 2014. The report is set out at pages 83 to 85.

Global Real Estate Sustainability Benchmark

The Company participated in the annual Global Real Estate Sustainability Benchmark ("GRESB") survey for the Company for the first time in 2016. The Company participated as a grace period participant reflecting the company's first investment phase in the 12 month period to 31 March 2017 and as such no score is available. GRESB is the dominant global standard for assessing Environmental Social and Governance performance for real estate funds and companies.

The Investment Manager intends to participate in the survey as a full participant for the Company in 2018.

Health, wellbeing and productivity

The real estate industry is beginning to gain a new perspective on the importance of the built environment on human health, wellbeing and productivity. A number of schemes have emerged which seek to identify the impacts of spaces and places on people and provide new ways of certifying buildings. Case studies demonstrate the benefit of reflecting wellbeing in good design. The Investment Manager is working to embed this aspect into its investment process.

Stakeholder engagement and community

The Investment Manager seeks active engagement with tenants to ensure a good occupational experience to help retain and attract tenants. As the day to day relationship is with the property manager, the property manager sustainability requirements include a key performance indicator on tenant engagement.

The Investment Manager believes in the importance of understanding a building's relationship with the community and its contribution to the well-being of society. Positively impacting on local communities helps create successful places that foster community relationships, contribute to local prosperity, attract building users and ultimately, lead to better, more resilient investments. The Investment Manager looks to understand and develop the community relationship to ensure investments provide sustainable social solutions for the long-term.

Industry participation

The Investment Manager is a member of a number of industry bodies including the European Public Real Estate Association (EPRA), INREV (European Association for Investors in Non-Listed Real Estate Vehicles), British Council for Offices and the British Property Federation. It was a founding member of the UK Green Building Council in 2007 and in 2017 became a member of the Better Buildings Partnership and a Fund Manager Member of GRESB.

Employees

The Company is an externally managed real estate investment trust and has no direct employees. The Investment Manager is a subsidiary of Schroders plc which has responsibility for the employees that support the Company. Schroders believes diversity of thought and an inclusive workplace are key to creating a positive environment for their people. The Investment Manager's real estate team have a sustainability objective within their annual objectives.

Further information on Schroders' principles in relation to people including diversity, gender pay gap, values, employee satisfaction survey, wellbeing and retention can be found at http://www.schroders.com/annualreport2016/strategy-business-review/our-people.html

Corporate responsibility

Schroders' commitment to corporate responsibility is to ensure that its commitment to act responsibly, support clients, deliver value to shareholders and make a wider contribution to society is embedded across its business in all that it does.

Full information on Schroders corporate responsibility approach including its economic contribution, environmental impacts and community involvement, can be found at http://www.schroders.com/annualreport2016/strategy-business-review/our-impact/corporate-responsibility.html

Slavery and human trafficking statement

The Company is not required to produce a statement on slavery and human trafficking pursuant to the Modern Slavery Act 2015 as it does not satisfy all the relevant triggers under that Act that required such a statement.

The Investment Manager is a subsidiary of Schroders plc whose statement on Slavery and Human Trafficking has been published in accordance with the Modern Slavery Act 2015 (the 'Act'). It sets out the steps that Schroders plc and other relevant group companies, including the Investment Manager, have taken during 2016 and will be taking in 2017 to prevent slavery and human trafficking from taking place in its supply chains or any part of its business.

Schroders' statement can be found at www.schroders.com/slavery

Independent auditors' report to the members of Schroder European Real Estate Investment Trust plc

Report on the audit of the financial statements

Opinion

In our opinion, Schroder European Real Estate Investment Trust plc's Group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the company's affairs as at 30 September 2017 and of the Group's profit, the company's loss and the Group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statement (the "Annual Report"), which comprise: the consolidated and company statements of financial position as at 30 September 2017; the consolidated and company statements of comprehensive income, the consolidated and company statements of cash flows, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Valuation Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the company.

Other than those disclosed in note 5 to the financial statements, we have provided no non-audit services to the Group or the company in the period from 1 October 2016 to 30 September 2017.

Our audit approach

Context

Schroder European Real Estate Investment Trust plc currently invests in French, German and Spanish properties. The Group structure includes French property companies for holding the French properties, Luxembourg property companies which hold the German properties and Spanish property companies which hold Spanish properties, which are all held by a Luxembourg Sarl, a 100% subsidiary of the plc. This is the first year of the extended auditor's report under the new auditing standards known as International Standards on Auditing (UK) (ISAs (UK).

Overview

Overall Materiality

Group materiality: €2.5 million (2016: €2.3 million), based on 1% of total assets.

Company materiality: €1.7 million (2016: €1.5 million), based on 1% of total assets.

Specific Materiality

Group materiality: €584,500 (2016: €150,000), based on 5% of pre-tax profit.

Company materiality: €44,200 (2016: €104,000), based on 5% of pre-tax profit.

Audit Scope

The Group audit team carried out the audit of the consolidated financial statements of Schroder European Real Estate Investment Trust plc and has the overall responsibility over the audit of the Group.

For the subsidiaries of the Group, we worked with component auditors in Luxembourg, who performed the audit of the Luxembourg holding company, German property holding companies and Spanish holding company, and PwC France, who performed the audit of the French property holding companies.

Taken together, the entities in the scope of audit work accounted for over 98% of the Group's profit and assets.

Key Audit Matters

Valuation of investment properties due to significance and subjectivity.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

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

Key audit matter	*How our audit addressed the key audit matter*
Valuation of investment properties due to significance and subjectivity	**Assessing the competence, capabilities and objectivity of the valuers**
Refer to page 33 (Report of the Audit and Valuation Committee), pages 66 to 68 (Notes to the financial statements – Note 10) and pages 57 (Significant accounting policies). The Group's investment properties were carried	The valuation firm used by the Group is Knight Frank LLP. They are a well-known firm with considerable experience of the Group's market. We assessed the competence and capabilities of Knight Frank and checked their

Key audit matter	How our audit addressed the key audit matter
at €202.6 million as at 30 September 2017 and a revaluation profit of €4.3 million was accounted for under 'Net gain (loss) from fair value on investment property' in the Group statement of comprehensive income. The portfolio includes retail and offices properties, and these properties are located in Germany, France and Spain. The properties only include completed investments and the methodology applied in determining the valuations is set out in notes 10 of the financial statements. Valuations are performed by a third party valuation firm, Knight Frank LLP (the "Valuers") quarterly. The properties are valued in accordance with the Royal Institute of Chartered Surveyors (RICS) Valuation – Professional Standards guidance and applied to the financial statements in accordance with IAS 40. The Valuers used by the Group have considerable experience of the markets in which the Group operates. The valuation of the Group's portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rentals for that particular property. This is coupled with the fact that only a small percentage difference in individual property valuations when aggregated could result in material misstatement. Where available, the valuations take into account evidence of market transactions for properties and locations comparable to those of the properties held by the Group. The most significant judgments and estimates affecting the valuations included estimated yields and estimated rental value (ERV) (as described in note 20 of the financial statements).	qualifications. We also assessed their independence by discussing the scope of their work and reviewing the terms of their engagements for unusual terms or fee arrangements. Based on this work, we are satisfied that the firm remain independent and competent and that the scope of their work was appropriate. **Testing the valuations** We obtained details of every property held by the Group and set an expected range for yield and capital value movement, determined by reference to published benchmarks and using our experience and knowledge of the market. We then obtained and read the Knight Frank LLP valuation reports for every property. We determined, based on our expertise and experience, that the valuation approach for each was in accordance with RICS standards and suitable for use in determining the carrying value for the financial statements. We compared the investment yields used by the Valuers to the expected range of yields and the year on year capital movement to our expected range. We also considered the reasonableness of other assumptions that are not so readily comparable with published benchmarks, such as Estimated Rental Value. We attended meetings with management and the Valuers, at which the valuations and the key assumptions therein were discussed. Our work covered the valuation of every property in the Group, but the discussions with management and the Valuers focused on the largest properties in the portfolio and those where the assumptions used and/or year on year capital value movement suggested a possible outlier versus externally published market data for the relevant sector. Where assumptions were outside the expected range or otherwise appeared unusual, and/or valuations showed unexpected movements, we undertook further investigations and, when necessary, held further discussions with the Valuers and obtained evidence to support explanations received. The valuation commentaries provided by the Valuers and the supporting evidence, enabled us to consider the property specific factors that had or may have had an impact on value, including recent comparable transactions where appropriate. We also satisfied ourselves that for properties where there could be alternative use opportunities, this had been appropriately taken into account. We tested the data in the investment property valuation, including rental income and purchase price, by agreeing them to the underlying records held by the Group. The underlying property records were themselves tested back to signed and approved lease contracts or sale/purchase contracts and approved third party invoices as applicable. No issues were identified in this testing. Based on the work, we identified no material misstatements in the valuations.

We determined that there were no key audit matters applicable to the Group to communicate in our report.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the company, the accounting processes and controls, and the industry in which they operate.

The Group has eight properties held in seven separate statutory entities in Luxembourg, France and an investment in a Joint Venture in Spain. Seven entities are fully consolidated into the Group financial statements, with the non-controlling interests deducted in accordance with IFRS 3 and the interest in the joint venture was accounted for as an investment using the equity method in accordance with IAS 28 and IFRS 11. All seven property holding companies and the investment in joint venture have been included fully in scope for the audit of the Group financial statements.

For purposes of the Group audit, we determined the nature of the work to be performed in connection with the financial information of each component. We considered various factors (e.g., the financial significance of the component and the identified significant risks of material misstatement at the component) to determine what needed to be performed at each component.

We also established overall materiality for each component (either established by the Group engagement team or established by the component auditor and approved by the Group engagement team) for purposes of the Group audit.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	***Company financial statements***
Overall materiality	€2.5 million (2016: €2.3 million).	€1.7 million (2016: €1.5 million).
How we determined it	1% of total assets.	1% of total assets.
Specific materiality	€584,500 (2016: €150,000)	€44,200 (2016: €104,000)
How we determined it	5% of pre-tax profit	5% of pre-tax profit
Rationale for benchmark applied	The key driver of the business and determinant of the Group's value is direct property investments. Due to this, the key area of focus in the audit is the valuation of investment properties. On this basis, we set an overall Group materiality level based on total assets. In addition, key performance indicators of the Group are driven by statement of comprehensive income items and we therefore also applied a lower specific materiality for testing income statement balances.	The company is a holding company for the property holding companies and does not have revenue. Its biggest assets is the investment in Subsidiaries. It has a primary aim of creating capital gains and investment yield, and therefore its primary driver is total assets. In addition, key performance indicators of the company are driven by statement of comprehensive income items and we therefore also applied a lower specific materiality for testing income statement balances.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between €80,000 and €1,800,000.

We agreed with the Audit and Valuation Committee that we would report to them misstatements identified during our audit above €120,000 (Group audit) (2016: €88,000) and €83,900 (Company audit) (2016: €75,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	***Outcome***
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting	We have nothing material to add or to draw attention to. However, because not all future events or

Reporting obligation	Outcome
in preparing the financial statements and the directors' identification of any material uncertainties to the Group's and the company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	conditions can be predicted, this statement is not a guarantee as to the Group's and company's ability to continue as a going concern.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report, Report of the Directors and Corporate Governance Statement, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 30 September 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. *(CA06)*

In light of the knowledge and understanding of the Group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors. *(CA06)*

Corporate Governance Statement

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on pages 23 to 24) about internal controls and risk management systems in relation to financial reporting processes and about share capital structures in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency Rules sourcebook of the FCA ("DTR") is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. *(CA06)*

In light of the knowledge and understanding of the Group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in this information. *(CA06)*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on pages 29 to 35) with respect to the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the DTR. *(CA06)*

We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the company. *(CA06)*

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 23 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 25 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and company and their environment obtained in the course of the audit. *(Listing Rules)*

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 34, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and company obtained in the course of performing our audit.
- The section of the Annual Report on page 33 describing the work of the Audit and Valuation Committee does not appropriately address matters communicated by us to the Audit and Valuation Committee.
- The directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. *(CA06)*

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 36, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit and Valuation Committee, we were appointed by the directors on 29 October 2015 to audit the financial statements for the year ended 30 September 2016 and subsequent financial periods. The period of total uninterrupted engagement is 2 years, covering the years ended 30 September 2016 to 30 September 2017.

Craig Hughes (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
5 December 2017

Consolidated and Company Statement of Comprehensive Income
For the year ended 30 September 2017

	Note	**Group 30/09/17 €000**	Group 30/09/16 €000	**Company 30/09/17 €000**	Company 30/09/16 €000
Rental and service charge income		**17,296**	4,891	**-**	-
Property operating expenses	4	**(5,527)**	(969)	**-**	-
Net rental and related income		**11,769**	3,922	**-**	-
Net gain/(loss) from fair value adjustment on investment property	10	**4,284**	(4,537)	**-**	-
Realised loss on foreign exchange	21	**(4)**	(101)	**(4)**	(101)
Net change in fair value of financial instruments at fair value through profit or loss		**72**	(60)	**-**	-
Management fees receivable	3	**-**	-	**1,761**	-
Expenses					
Investment management fee	3	**(1,849)**	(1,402)	**(1,849)**	(1,402)
Valuers' and other professional fees		**(666)**	(425)	**(298)**	(127)
Administrator's and accounting fees		**(306)**	(185)	**(135)**	(114)
Auditors' remuneration	5	**(280)**	(161)	**(265)**	(139)
Directors' fees	6	**(120)**	(129)	**(120)**	(129)
Other expenses	6	**(291)**	(122)	**(93)**	(88)
Total expenses		**(3,512)**	(2,424)	**(2,760)**	(1,999)
Operating profit/(loss) before net finance costs		**12,609**	(3,200)	**(1,003)**	(2,100)
Finance income		**174**	5	**12**	5
Finance costs		**(918)**	(157)	**-**	-
Net finance (costs)/income		**(744)**	(152)	**12**	5
Share of loss of joint venture	12	**(185)**	-	**-**	-
Profit/(loss) before taxation		**11,680**	(3,352)	**(991)**	(2,095)
Taxation	7	**(505)**	(47)	**-**	-
Profit/(loss) after taxation		**11,175**	(3,399)	**(991)**	(2,095)
Attributable to:					
Owners of the parent		**10,288**	(2,516)	**(991)**	(2,095)
Non-controlling interests		**887**	(883)	**-**	-
		11,175	(3,399)	**(991)**	(2,095)
Basic and diluted earnings/(loss) per share attributable to owners of the parent	8	**7.7c**	(2.1c)	**-**	-

Consolidated and Company Statement of Comprehensive Income
For the year ended 30 September 2017

	Note	**Group 30/09/17 €000**	Group 30/09/16 €000	**Company 30/09/17 €000**	Company 30/09/16 €000
Profit/(loss) for the year		**11,175**	(3,399)	**(991)**	(2,095)
Other comprehensive loss items that may be reclassified to profit or loss:					
Currency translation differences		**(3)**	(226)	**(3)**	(226)
Total other comprehensive loss		**(3)**	(226)	**(3)**	(226)
Total comprehensive profit/(loss) for the year		**11,172**	(3,625)	**(994)**	(2,321)
Attributable to:					
Owners of the parent		**10,285**	(2,742)	**(994)**	(2,321)
Non-controlling interests		**887**	(883)	**-**	-
		11,172	(3,625)	**(994)**	(2,321)

All items in the above statement are derived from continuing operations. The accompanying notes 1 to 25 form an integral part of the financial statements.

Consolidated and Company Statement of Financial Position
As at 30 September 2017

	Note	**Group 30/09/2017 €000**	Group 30/09/2016 €000	**Company 30/09/2017 €'000**	Company 30/09/2016 €'000
Assets					
Non-current assets					
Investment property	10	**202,563**	165,365	**-**	-
Investment in subsidiaries	11	**-**	-	**118,583**	118,583
Investment in joint ventures	12	**6,290**	-	**-**	-
Loans to joint ventures	12	**10,035**	-	**-**	-
Non-current assets		**218,888**	165,365	**118,583**	118,583
Current assets					
Trade and other receivables	13	**2,063**	2,377	**34,688**	34,179
Interest rate derivative contracts	14	**273**	200	**-**	-
Cash and cash equivalents	15	**28,521**	58,476	**14,583**	6,068
Current assets		**30,857**	61,053	**49,271**	40,247
Total assets		**249,745**	226,418	**167,854**	158,830
Equity					
Share capital	16	**15,167**	13,994	**15,167**	13,994
Share premium		**30,215**	14,882	**30,216**	14,882
Retained earnings/(accumulated losses)		**650**	(3,486)	**(10,437)**	(3,291)
Other reserves		**132,294**	132,370	**132,522**	132,595
Issued capital and reserves attributable to owners of the parent		**178,326**	157,760	**167,468**	158,180
Non-controlling interests		**7,691**	6,804	**-**	-
Total equity		**186,017**	164,564	**167,468**	158,180
Liabilities					
Non-current liabilities					
Interest-bearing loans and borrowings	17	**58,772**	58,724	**-**	-
Deferred tax liability		**473**	30	**-**	-
Non-current liabilities		**59,245**	58,754	**-**	-
Current liabilities					
Trade and other payables	18	**4,483**	3,084	**386**	650
Current tax liabilities		**-**	16	**-**	-
Current liabilities		**4,483**	3,100	**386**	650
Total liabilities		**63,728**	61,854	**386**	650
Total equity and liabilities		**249,745**	226,418	**167,854**	158,830
Net Assets Value per Ordinary Share	19	**133.3c**	130.1c	**125.2c**	130.5c

The financial statements on pages 50 to 79 were approved at a meeting of the Board of Directors held on 5 December 2017 and signed on its behalf by:

Sir Julian Berney Bt. Chairman **Jonathan Thompson, Director**

The accompanying notes 1 to 25 form an integral part of the financial statements.

Consolidated and Company Statement of Changes in Equity
For the year ended 30 September 2017

Group	Note	Share capital €000	Share premium €000	Retained earnings/ (accumulated losses) €000	Other reserves €000	Sub-total €000	Non-controlling interests €'000	Total equity €'000
Balance as at 1 October 2015		**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loss for the year		-	-	(2,516)	-	(2,516)	(883)	(3,399)
Other comprehensive loss for the year		-	-	-	(226)	(226)	-	(226)
Dividends paid	9	-	-	(970)	-	(970)	-	(970)
New equity issuance		16,576	149,873	-	(4,977)	161,472	-	161,472
Share premium reduction		-	(122,157)	-	122,157	-	-	-
Unrealised foreign exchange		(2,582)	(12,834)	-	15,416	-	-	-
Investments from non-controlling interests		-	-	-	-	-	7,687	7,687
Balance as at 30 September 2016		**13,994**	**14,882**	**(3,486)**	**132,370**	**157,760**	**6,804**	**164,564**
Profit for the year		-	-	10,288	-	10,288	887	11,175
Other comprehensive loss for the year		-	-	-	(3)	(3)	-	(3)
Dividends paid	9	-	-	(6,152)	-	(6,152)	-	(6,152)
New equity issuance		1,390	15,288	-	(245)	16,433	-	16,433
Unrealised foreign exchange		(217)	45	-	172	-	-	-
Balance as at 30 September 2017		**15,167**	**30,215**	**650**	**132,294**	**178,326**	**7,691**	**186,017**

Company	Note	Share capital €000	Share premium €000	Accumulated losses* €000	Other reserves* €000	Sub-total €000	Non-controlling interests €'000	Total €'000
Balance as at 1 October 2015		-	-	-	-	-	-	-
Total comprehensive loss for the year		-	-	(2,321)	-	(2,321)	-	(2,321)
Dividends paid	9	-	-	(970)	-	(970)	-	(970)
New equity issuance		16,576	149,873	-	(4,978)	161,471	-	161,471
Share premium reduction		-	(122,157)	-	122,157	-	-	-
Unrealised foreign exchange		(2,582)	(12,834)	-	15,416	-	-	-
Balance as at 30 September 2016		**13,994**	**14,882**	**(3,291)**	**132,595**	**158,180**	**-**	**158,180**
Total comprehensive loss for the year		-	-	(994)	-	(994)	-	(994)
Dividends paid	9	-	-	(6,152)	-	(6,152)	-	(6,152)
New equity issuance		1,390	15,289	-	(245)	16,434	-	16,434
Unrealised foreign exchange		(217)	45	-	172	-	-	-
Balance as at 30 September 2017		**15,167**	**30,216**	**(10,437)**	**132,522**	**167,468**	**-**	**167,468**

*These reserves form the distributable reserves of the Company and may be used for to fund distribution of profits to investors via dividends payments

The accompanying notes 1 to 25 form an integral part of the financial statements.

Consolidated and Company Statement of Cash Flows

For the year ended 30 September 2017

	Note	**Group 30/09/2017 €'000**	Group 30/09/2016 €'000	**Company 30/09/2017 €'000**	Company 30/09/2016 €'000
Operating activities					
Profit/(loss) before tax for the year		**11,680**	(3,352)	**(991)**	(2,095)
Adjustments for:					
Net valuation gain/(loss) on fair value adjustment in investment property	10	**(4,284)**	4,537	**-**	-
Share of loss of joint venture	12	**185**	-	**-**	-
Realised foreign exchange losses	21	**4**	101	**4**	101
Finance income		**(174)**	(5)	**(12)**	(5)
Finance expense		**918**	157	**-**	-
Movement in fair value of interest rate derivative contracts	14	**(72)**	60	**-**	-
Operating cash generated from/(used in) before changes in working capital		**8,257**	-	**(999)**	-
Decrease/(increase) in trade and other receivables		**434**	(2,376)	**(509)**	(422)
Increase/(decrease) in trade and other payables		**1,647**	2,728	**(264)**	644
Cash generated from/(used in) operations		**10,338**	1,850	**(1,772)**	(1,777)
Finance costs paid		**(751)**	(903)	**-**	-
Finance income received		**9**	-	**12**	-
Tax paid		**(145)**	-	**-**	-
Net cash generated from/(used in) operating activities		**9,451**	692	**(1,760)**	(1,772)
Investing activities					
Acquisition of investment property		**(33,171)**	(169,647)	**-**	-
Investment in subsidiaries		**-**	-	**-**	(118,583)
Investment in joint ventures		**(16,510)**	-	**-**	-
Loans to subsidiary companies		**-**	-	**-**	(33,757)
Net cash used in investing activities		**(49,681)**	(169,647)	**-**	(152,340)
Financing activities					
Proceeds from borrowings		**-**	56,500	**-**	-
Proceeds from borrowings – non-controlling interest		**-**	10,753	**-**	-
Repayment of borrowings – non-controlling interest		**-**	(7,689)	**-**	-
New equity – non controlling interest		**-**	7,687	**-**	-
Share issue net proceeds		**16,434**	161,477	**16,434**	161,477
Dividends paid	9	**(6,152)**	(970)	**(6,152)**	(970)
Net cash generated from financing activities		**10,282**	227,758	**10,282**	160,507
Net (decrease)/increase in cash and cash equivalents for the year		**(29,948)**	58,803	**8,522**	6,395
Opening cash and cash equivalents		**58,476**	-	**6,068**	-
Effects of exchange rate changes on cash and cash equivalents		**(7)**	(327)	**(7)**	(327)
Closing cash and cash equivalents	15	**28,521**	58,476	**14,583**	6,068

The accompanying notes 1 to 25 form an integral part of the financial statements.

Notes to the Financial Statements

1. Significant accounting policies
Schroder European Real Estate Investment Trust plc ("the Company") is a closed-ended investment company incorporated in England & Wales. The consolidated financial statements of the Company for the year ended 30 September 2017 comprise those of the Company and its subsidiaries (together referred to as the "Group"). The Group holds a portfolio of investment properties in continental Europe. The shares of the Company are listed on the London Stock Exchange (primary listing) and the Johannesburg Stock Exchange (secondary listing). The registered office of the Company is 31 Gresham Street, London, EC2V 7QA.

Statement of compliance
The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), and therefore comply with article 4 of the EU IAS regulation, and in accordance with the Companies Act 2006.

The financial statements give a true and fair view and are in compliance with applicable legal and regulatory requirements and the Listing Rules of the UK Listing Authority.

Basis of preparation
The financial statements are presented in euros, rounded to the nearest thousand. They are prepared on a going concern basis, applying the historical cost convention except for the measurement of investment property and derivative financial instruments that have been measured at fair value.

The accounting policies have been consistently applied to the results, assets, liabilities and cash flows of the entities included in the consolidated financial statements.

Going concern
The Directors have examined significant areas of possible financial risk including cash and cash requirements and the debt covenants. The Directors have not identified any material uncertainties which would cast significant doubt on the Group's ability to continue as a going concern for a period of not less than twelve months from the date of the approval of the financial statements. The Directors have satisfied themselves that the Group has adequate resources to continue in operational existence for the foreseeable future.

Use of estimates and judgements
The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The most significant estimates made in preparing these financial statements relate to the carrying value of investment properties, including those within joint ventures, which are stated at fair value. The Group uses external professional valuers to determine the relevant amounts. Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are disclosed in note 20.

Notes to the Financial Statements (continued)

1. Significant accounting policies (continued)

Basis of consolidation

Subsidiaries
The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries drawn up to 30 September each year. Subsidiaries are those entities, including special purpose entities, controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Where properties are acquired by the Group through corporate acquisitions but the acquisition does not meet the definition of a business combination, the acquisition has been treated as an asset acquisition.

Non-controlling interests
Non-controlling interests are recognised on the basis of their share in the recognised amounts of a subsidiary's identifiable net assets. On the balance sheet non-controlling interests are presented separately from the equity of the owners of the Parent. Profit or loss and total comprehensive income for the period attributable to non-controlling interests are presented separately in the income statement and the statement of comprehensive income.

Transactions eliminated on consolidation
Intra-group balances, and any gains and losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Gains arising from transactions with joint ventures are eliminated to the extent of the Group's interest in the entity. Losses are eliminated in the same way as gains but only to the extent that there is no evidence of impairment. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

Joint arrangements
Under IFRS 11 Joint Arrangements, the Company's investments in joint arrangements are classified as joint ventures. Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated balance sheet.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity. Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Notes to the Financial Statements (continued)

1. Significant accounting policies (continued)

Investment property
Investment property is land and buildings held to earn rental income together with the potential for capital growth.

Acquisitions and disposals are recognised on unconditional exchange of contracts. Acquisitions are initially recognised at cost, being the fair value of the consideration given, including transaction costs associated with the investment property.

After initial recognition, investment properties are measured at fair value, with unrealised gains and losses recognised in profit and loss. Realised gains and losses on the disposal of properties are recognised in profit and loss in relation to carrying value. Fair value is based on the market valuations of the properties as provided by a firm of independent chartered surveyors, at the reporting date. Market valuations are carried out on a quarterly basis.

As disclosed in note 22, the Group leases out all owned properties on operating leases. A property held under an operating lease is classified and accounted for as an investment property where the Group holds it to earn rentals, capital appreciation, or both. Any such property leased under an operating lease is classified as an investment property and carried at fair value.

Prepayments

Prepayments are carried at cost less any accumulated impairment losses.

Borrowing costs
Borrowing costs are charged in full to the Statement of Comprehensive Income as incurred.

Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. Properties leased out under operating leases are included in investment properties.

Properties leased out under operating leases are included in investment property in the Consolidated Statement of Financial Position (Note 10).

Financial assets and liabilities

Non-derivative financial instruments

Assets
Non-derivative financial instruments comprise trade and other receivables and cash and cash equivalents. These are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method less any impairment losses.

Trade and other receivables
Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment.

Notes to the Financial Statements (continued)

1. Significant accounting policies (continued)

Cash and cash equivalents
Cash at bank and short-term deposits that are held to maturity are carried at cost. Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash in hand and short-term deposits at banks with a term of no more than three months.

Liabilities

Non-derivative financial instruments comprise loans and borrowings and trade and other payables.

Loans and borrowings
Borrowings are recognised initially at fair value of the consideration received less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the profit and loss over the period of the borrowings on an effective interest basis.

Trade and other payables
Financial liabilities included in trade and other payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

Derivative financial assets and liabilities comprise of an interest rate cap for hedging purposes (economic hedge). The Group does not apply hedge accounting in accordance with IAS 39. Recognition of the derivative financial instruments takes place when the economic hedging contracts are entered into. They are measured initially and subsequently at fair value; transaction costs are included directly in finance costs. Gains or losses on derivatives are recognised in the profit or loss in net change in fair value of financial instruments at fair value through profit or loss.

Share capital

Ordinary shares, including treasury shares, are classified as equity when there is no obligation to transfer cash or other assets.

Share premium

Share premium represents the excess of proceeds received over the nominal value of new shares issued.

Other reserves

Other reserves mainly consists of a share premium reduction reserve arising from the conversion of share premium into a distributable reserve and unrealised currency exchange gains and losses arising on the revaluation of Sterling denominated share capital and share premium at the balance sheet date.

Dividends

Final dividends to the Company’s shareholders are recognised as a liability in the Group’s financial statements in the period in which the dividends are approved by the Company’s shareholders. Interim dividends are recognised when paid.

Notes to the Financial Statements (continued)

1. Significant accounting policies (continued)

Impairment

Financial assets
A financial asset, other than those at fair value through profit and loss, is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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.

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 profit and loss.

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 profit and loss.

Non-financial assets
The carrying amounts of the Group's non-financial assets, other than investment property but including joint ventures, 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 that 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 profit and loss.

Revenue

Rental income
Rental income from operating leases is recognised on a straight-line basis over the lease term. When the Group provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

Service charges
Revenue from service charges is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Service charges are recognised in the accounting period in which the services are rendered.

Notes to the Financial Statements (continued)

1. Significant accounting policies (continued)

Finance income and expenses

Finance income comprises interest income on funds invested that are recognised in the profit and loss. Interest income is recognised on an accruals basis.

Finance expenses comprise interest expense on borrowings that are recognised in profit and loss. Attributable transaction costs incurred in establishing the Group's credit facilities are deducted from the fair value of borrowings on initial recognition and are amortised over the lifetime of the facilities through profit and loss. Finance expenses are accounted for on an effective interest basis.

Expenses

All expenses are accounted for on an accruals basis. They are recognised in profit or loss in the year in which they are incurred on an accruals basis.

Taxation

The Company and its subsidiaries are subject to income tax on any income arising on investment properties after deduction of debt financing costs and other allowable expenses.

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted, or substantially enacted, by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Segmental reporting

The Directors are of the opinion that the Group is engaged in a single segment of business, being property investment and in one geographical area, Continental Europe. The chief operating decision maker is considered to be the Board of Directors who are provided with consolidated IFRS information on a quarterly basis.

Notes to the Financial Statements (continued)

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

The functional currency of all the entities in the Group is the euro, as this is the currency in which the majority of investment takes place and in which the majority of income and expenses are incurred. The financial statements are also presented in euros.

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the Statement of Comprehensive Income.

Assets and liabilities held at the end of the reporting period are translated into the presentation currency at the exchange rate prevailing at that date. Foreign exchange differences arising on translation to the presentation currency are recognised in other comprehensive income in the Statement of Comprehensive Income.

Equity held at the end of the reporting period is translated into the presentation currency at the exchange rate prevailing at that date. Foreign exchange differences arising on translation to the presentation currency are recognised within Equity.

Notes to the Financial Statements (continued)

2. New standards and interpretations

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 October 2016:

- Accounting for acquisitions of interests in joint operations – Amendments to IFRS 11
- Annual improvements to IFRSs 2012-2014 cycle
- Disclosure initiative – Amendments to IAS 1

No new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 January 2017, have had a material impact on the Group or Company.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2017, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

IAS 12, 'Income taxes' was amended to clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. This amendment is effective for annual periods beginning on or after 1 January 2017. The Group does not expect the amendment to have a material impact on its financial statements since fair value exceeds the cost for almost all of its investment properties. The Group is monitoring fair value movements below cost to assess the impact of the amendment in future periods.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is still assessing the impact of IFRS 9 and expects it to have an immaterial impact on the accounting for available-for-sale financial assets and derivatives.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is still assessing the impact of IFRS 15 and expects it to have an immaterial impact on its current accounting practices.

IFRS 16, 'Leases' was issued in January 2016. For lessees, it will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases will be removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. The Group is still assessing the impact of IFRS 16 expects it to have an immaterial impact on its current accounting practices.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Notes to the Financial Statements (continued)

3. Material agreements

Schroder Real Estate Investment Management Limited ('SREIM') is the Investment Manager to the Company. The Investment Manager is entitled to a fee together with reasonable expenses incurred in the performance of its duties. The fee is payable monthly in arrears and shall be an amount equal to one twelfth of the aggregate of 1.1% of the EPRA NAV of the Company. The Investment Management Agreement can be terminated by either party on not less than twelve months written notice, such notice not to expire earlier than the third anniversary of Admission, or on immediate notice in the event of certain breaches of its terms or the insolvency of either party. The total charge to profit and loss during the year was €1,849,000 (2016: €1,402,000). At the year end €125,000 (2016: €438,000) was outstanding.

SREIM provides accounting services to the Group with a contracted annual charge of £70,000. The total charge to the Group was €79,000 (2016: €67,000). At the year end €7,000 (2016: €20,000) was outstanding.

SREIM provides administrative and company secretarial services to the Group with a contracted annual charge of £50,000. The total charge to the Group was €56,000 (2016: €48,000). At the year end €5,000 (2016: €14,000) was outstanding.

Details of Directors' fees are disclosed in Note 6.

Details of loans from Mercialys, a related party, are disclosed in Note 17.

Details of loans to Urban SEREIT Holdings Spain S.L., a related party, are disclosed in Note 12.

The Company received management fees of €1,761,000 (2016: €Nil) from subsidiary companies during the year.

4. Property operating expenses

	Group 30/09/2017 €000	Group 30/09/2016 €000	**Company 30/09/2017 €000**	Company 30/09/2016 €000
Repairs and maintenance	**1,360**	67	**-**	-
Service charge, insurance and utilities on vacant units	**2,718**	615	**-**	-
Real estate taxes	**1,075**	230	**-**	-
Property management fees	**269**	53	**-**	-
Other	**105**	4	**-**	-
	5,527	969	**-**	-

5. Auditors' remuneration

The Group's total audit fees for the year are €280,000 (2016: €161,000).

Non-audit fees charged to the Group by the auditors during the year were €4,000 (2016: €129,000)

Notes to the Financial Statements (continued)

6. Other expenses

	Group 30/09/2017 €000	Group 30/09/2016 €000	**Company 30/09/2017 €000**	Company 30/09/2016 €000
Directors' and officers' insurance premium	**10**	9	**9**	9
Bank charges	**45**	-	**7**	-
Regulatory costs	**32**	25	**7**	12
Marketing	**28**	8	**28**	8
Professional fees	**-**	11	**-**	11
Other expenses	**176**	69	**42**	48
	291	122	**93**	88

Directors' fees
Directors are the only officers of the Company and there are no other key personnel. The Directors' annual remuneration for services to the Group was £95,366 (2016: £97,458), as set out in the Remuneration Report on pages 37 to 39. The total charge for directors fees was €120,000 (2016: €129,000), which included employer's national insurance contributions.

7. Taxation

	30/09/2017 €000	30/09/2016 €000
Current tax charge	**62**	17
Deferred tax charge	**443**	30
Tax expense in year	**505**	47
Reconciliation of effective tax rate		
Profit/(loss) before taxation	**11,680**	(3,352)
Effect of:		
Tax charge/(credit) at weighted average corporation tax rate of 18.88% (2016 – 25.44%)	**2,205**	(853)
Tax exempt income	**(1,831)**	-
Tax effect on net revaluation loss	**-**	1,169
Current year loss for which no deferred tax is recognised	**205**	-
Tax effect of share of joint venture loss	**46**	-
Minimum Luxembourg tax charges	**62**	17
Deferred tax charge on profits	**-**	30
Other permanent differences	**(182)**	(316)
Total tax expense in the year	**505**	47

A potential deferred tax asset of €17,000 arose on tax losses which has not been provided for.

A deferred tax charge of €443,000 (2016: €30,000) was provided in relation to investment property revaluation gains, and the deferred tax liability at the year end was €473,000 (2016: €30,000).

Notes to the Financial Statements (continued)

8. Earnings per share

Basic earnings per share
The basic earnings/(loss) per share for the Group is calculated by dividing the net profit/(loss) after tax attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	30/09/2017	30/09/2016
Net profit/(loss) attributable to shareholders	**€10,288,000**	(€2,516,000)
Weighted average number of ordinary shares in issue	**132,775,782**	118,319,687
Basic earnings/(loss) per share (cents per share)	**7.7**	(2.1)

The prior year net loss attributable to shareholders and basic loss per share amounts have been restated to €2,516,000 and 2.1 cents per share respectively. This is due to a misstatement clerical error within the 2016 annual report and accounts.

Diluted earnings per share
The Group has no dilutive potential ordinary shares, hence the diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share in 2016 and 2017.

Headline earnings per share
The headline earnings and diluted headline earnings for the Group is 5.2 euro cents per share (2016: 0.7 euro cents per share) as detailed on page 82.

9. Dividends paid

Interim dividends of €6,152,000 (2016: €970,000) were paid to shareholders during the year as follows.

In respect of	Ordinary Shares	Rate (cents)	**30/09/2017 €000**
Interim dividend paid on 27th January 2017	133,734,686	0.9	**1,204**
Interim dividend paid on 17th March 2017	133,734,686	1.0	**1,337**
Interim dividend paid on 7th July 2017	133,734,686	1.2	**1,605**
Interim dividend paid on 1st September 2017	133,734,686	1.5	**2,006**
Total interim dividends paid			**6,152**

Notes to the Financial Statements (continued)

10. Investment property

Group

	Leasehold €000	Freehold €000	Total €000
Fair value as at 1 October 2016	**-**	**165,365**	**165,365**
Property acquisitions	-	29,928	29,928
Acquisition costs	-	2,986	2,986
Net valuation gain on investment property	-	4,284	4,284
Fair value as at 30 September 2017	**-**	**202,563**	**202,563**

Fair value of investment properties as determined by the valuer totals €202,700,000 (2016: €165,500,000). The fair value of investment properties disclosed above includes a tenant incentive adjustment of €137,000 (2016: €135,000).

The net valuation gain on investment property of €4,284,000 consists of net property revaluation gains of €4,286,000 and a movement of the above mentioned tenant incentive adjustment of €2,000.

The fair value of investment property has been determined by Knight Frank LLP, a firm of independent chartered surveyors, who are registered independent appraisers. The valuation has been undertaken in accordance with the RICS Valuation – Professional Standards January 2014 Global and UK Edition, issued by the Royal Institution of Chartered Surveyors (the “Red Book”) including the International Valuation Standards.

The properties have been valued on the basis of “Fair Value” in accordance with the RICS Valuation - Professional Standards VPS4(1.5) Fair Value and VPGA1 Valuations for Inclusion in Financial Statements which adopt the definition of Fair Value used by the International Accounting Standards Board.

The valuation has been undertaken using appropriate valuation methodology and the Valuer’s professional judgement. The Valuer’s opinion of Fair Value was primarily derived using recent comparable market transactions on arm’s length terms, where available, and appropriate valuation techniques (The Investment Method).

The properties have been valued individually and not as part of a portfolio.

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

Some of the investment properties are leased to tenants under long-term operating leases with rentals payable monthly.

Notes to the Financial Statements (continued)

10. Investment property (continued)

Quantitative information about fair value measurement using unobservable inputs (Level 3) as at 30 September.

2017		**Retail (incl. retail warehouse)**	**Office**	**Total**
Fair value (€000)		148,300	107,300	255,600
Area (‘000 sq.m)		73.330	35.504	108.834
Net passing rent € per sqm per annum	Range Weighted average (2)	94.73 – 145.32 118.92	131.03 – 344.63 240.86	94.73 – 344.63 170.11
Gross ERV per sqm per annum	Range Weighted average (2)	97.39 – 185.61 139.03	126.12 – 413.10 265.45	97.39 – 413.10 192.10
Net initial yield (1)	Range Weighted average (2)	4.62 – 5.62 5.29	4.59 – 8.96 6.43	4.59 – 8.96 5.77
Equivalent yield	Range Weighted average (2)	4.60 – 5.93 5.49	4.47 – 7.25 5.46	4.47 – 7.25 5.48

Notes:
(1) Yields based on rents receivable after deduction of head rents and non-recoverables
(2) Weighted by market value
(3) This table includes the Joint Venture investment property valued at €52.9 million which is disclosed within the summarised information within note 12 as part of total assets

2016		**Retail (incl. retail warehouse)**	**Office**	**Total**
Fair value (€000)		94,000	71,500	165,500
Area (‘000 sq.m)		50.273	19.686	69.959
Net passing rent € per sq.m per annum	Range Weighted average (2)	94.73 – 145.32 108.67	27.78 – 340.64 234.96	27.78 – 340.64 163.25
Gross ERV per sq.m per annum	Range Weighted average (2)	96.45 – 157.80 112.77	126.12 – 409.91 291.70	96.45 – 409.91 190.07
Net initial yield (1)	Range Weighted average (2)	4.62 – 5.81 5.28	1.00 – 6.06 4.55	1.00 – 6.06 4.96
Equivalent yield	Range Weighted average (2)	4.60 – 6.02 5.31	4.60 – 5.26 4.74	4.60 – 6.02 5.06

Notes:

(1) Yields based on rents receivable after deduction of head rents and non-recoverables
(2) Weighted by market value

Notes to the Financial Statements (continued)

10. Investment property (continued)

Sensitivity of measurement to variations in the significant unobservable inputs
The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy of the Group's property portfolio, together with the impact of significant movements in these inputs on the fair value measurement, are shown below:

Unobservable input	Impact on fair value measurement of significant increase in input	Impact on fair value measurement of significant decrease in input
Passing rent	Increase	Decrease
Gross ERV	Increase	Decrease
Net initial yield	Decrease	Increase
Equivalent yield	Decrease	Increase

There are interrelationships between the yields and rental values as they are partially determined by market rate conditions. The sensitivity of the valuation to changes in the most significant inputs per class of investment property are shown below:

Estimated movement in fair value of investment properties at 30 September 2017	Retail €'000	Office €'000	Total €'000
Increase in ERV by 5%	5,200	4,600	9,800
Decrease in ERV by 5%	-5,200	-4,950	-10,150
Increase in net initial yield by 0.25%	-6,700	-5,750	-12,450
Decrease in net initial yield by 0.25%	7,350	5,900	13,250

Notes to the Financial Statements (continued)

11. Investment in subsidiaries

Company	**2017 €000**	2016 €000
Balance as at 1 October	**118,583**	-
Additions	**-**	118,583
Balance as at 30 September	**118,583**	118,583

The subsidiary companies listed below are those which were part of the Group at 30 September 2017. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership of interests held equals the voting rights held by the Group.

Undertaking	**Country of incorporation**	**Group ownership**	**Registered office address**
SEREIT (Jersey) Limited	Jersey	100%	22 Grenville Street, St Helier, Jersey, Channel Islands, JE4 8PX
SEREIT Finance Sàrl	Luxembourg	100%	5, rue Hohenhof L-1736 Senningerberg
SEREIT Holdings Sàrl	Luxembourg	100%	5, rue Hohenhof L-1736 Senningerberg
OPPCI SEREIT France	France	100%	13 Avenue de l'Opera, 75001 Paris
SCI Rennes Anglet	France	70%	8-10 rue Lamennais, 75008 Paris
SCI 221 Jean Jaures	France	100%	8-10 rue Lamennais, 75008 Paris
SEREIT Berlin DIY Sàrl	Luxembourg	100%	5, rue Hohenhof L-1736 Senningerberg
SEREIT Hamburg Sàrl	Luxembourg	100%	5, rue Hohenhof L-1736 Senningerberg
SEREIT Stuttgart Sàrl	Luxembourg	100%	5, rue Hohenhof L-1736 Senningerberg
SEREIT Frankfurt Sàrl	Luxembourg	100%	5, rue Hohenhof L-1736 Senningerberg
SCI SEREIT Directoire	France	100%	8-10 rue Lamennais, 75008 Paris

The non-controlling interest within these financial statements relates to the 30% minority holding of SCI Rennes Anglet. The table below shows details of this non-wholly-owned subsidiary of the Group.

Summarised non-wholly-owned subsidiary financial information:

	2017 €000	2016 €000
Total assets	62,243	58,975
Total liabilities	(36,609)	(36,296)
Net assets	**25,634**	**22,679**
Allocated to non-controlling interests	7,691	6,804
Revenues for the year	5,867	1,079
Total comprehensive profit/(loss) for the year	**2,955**	**(2,944)**
Allocated to non-controlling interests	887	(883)
Cash flows from operating activities	3,168	858
Cash flows from financing activities	(536)	(655)
Net increase in cash and cash equivalents	**2,632**	**203**

Notes to the Financial Statements (continued)

12. Investment in joint ventures

The Group has a 50% interest in a joint venture called Urban SEREIT Holdings Spain S.L. The principal place of business of the joint venture is Calle Velazquez 3, 4th Madrid 28001 Spain.

Group	**2017 €000**	2016 €000
Balance as at 1 October	**-**	-
Purchase of interest in joint venture	6,475	-
Share of loss for the year	(185)	-
Balance as at 30 September	**6,290**	-

Summarised joint venture financial information:

	2017 €000	2016 €000
Total assets	59,719	-
Total liabilities	(47,139)	-
Net assets	**12,580**	**-**
Net asset value attributable to the Group	6,290	-
Revenues for the year	2,200	-
Total comprehensive loss	**(370)**	**-**
Total comprehensive loss attributable to the Group	(185)	-

Within total liabilities is a €23.4 million loan facility with Münchener Hypothekenbank eG. The facility matures on 22 May 2024 and carries a fixed interest rate of 1.76% payable quarterly. The facility was subject to a 0.3% arrangement fee which is being amortised over the period of the loan. The debt has a LTV covenant of 60% and a minimum net rental income covenant. The lender has a charge over the property owned by the Group with a value of €52.9 million. A pledge of all shares in the borrowing Group company is in place.

Within total liabilities there is also a loan amount of €10.0 million owed to the Group. The loan is expected to mature at the same time as the above-mentioned bank loan and carries a fixed interest rate of 4.37% payable quarterly.

13. Trade and other receivables

	Group 30/09/2017 €000	Group 30/09/2016 €000	**Company 30/09/2017 €000**	Company 30/09/2016 €000
Rent receivable	**1,546**	596	**-**	-
Monies held by property managers	**228**	923	**-**	-
Amounts due from subsidiary undertakings	**-**	-	**33,947**	33,947
Other debtors and prepayments	**289**	858	**741**	232
	2,063	2,377	**34,688**	34,179

Notes to the Financial Statements (continued)

14. Interest rate derivative contracts

The Group has an interest rate cap in place purchased for €260,000 from Credit Agricole Corporate and Investment Bank on 10 August 2016 in connection to a €26.0m loan facility drawn from the same bank with a maturity date of July 2023. The cap interest rate is 1.25% with a floating rate option being Euribor 3 months. In line with IAS 39 this derivative is reported in the financial statements at its fair value. As at 30 September 2017 the fair value of the interest rate cap was €273,000 (2016: €200,000). Transaction costs incurred in obtaining the instrument are being amortised over the extended period of the above mentioned loan. The notional value of the instrument is €26.0 million.

In addition, the Group has granted a call option to Mercialys group on the assets and shares of SCI Rennes Anglet, a subsidiary of the Group. The option is only exercisable on 31 July 2018 with six months' written advance notice and under certain conditions as follows:

- Confirmed exclusive merger/acquisition negotiations between Mercialys and a third party regarding the French hypermarket segment of their business;
- Distress situation characterised by a decrease in the turnover per square metre during 2017 in Rennes and Anglet compared to 2016; and
- Strike price based on a net-to-seller valuation of the asset of €64.0 million.

As the probability of this option being exercised is very low its fair value is €Nil.

15. Cash and cash equivalents

	Group 30/09/2017 €000	Group 30/09/2016 €000	**Company 30/09/2017 €000**	Company 30/09/2016 €000
Cash at bank and in hand	**28,521**	58,476	**14,583**	6,068

16. Share capital

	Group 30/09/2017 €000	Group 30/09/2016 €000
Ordinary share capital	**15,167**	13,994

Share capital

As at 30 September 2017, the share capital of the Company was represented by 133,734,686 Ordinary Shares (2016: 121,234,686 Ordinary Shares) with a par value of 10.00 pence.

Issued share capital

On 28 October 2016 the Company issued 12,500,000 new ordinary shares under the placing and offer for subscription programme at a price of £1.20 per share.

Issue costs in relation to the placing was €245,000.

As at 30 September 2017, the Company had 133,734,686 ordinary shares in issue (no shares were held in treasury). The total number of voting rights of the Company at 30 September 2017 was 133,734,686 (2016: 121,234,686).

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the Financial Statements (continued)

17. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate risk see note 20.

	Group 30/09/2017 €000	Group 30/09/2016 €000	**Company 30/09/2017 €'000**	Company 30/09/2016 €'000
At 1 October	**58,724**	-	**-**	-
Receipt of borrowings	**-**	67,253	**-**	-
Repayment of borrowings	**-**	(7,689)	**-**	-
Capitalisation of finance costs	**(80)**	(861)	**-**	-
Amortisation of finance costs	**128**	21	**-**	-
At 30 September	**58,772**	58,724	**-**	-

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Bank Loan – Deutsche Pfandbriefbank AG

The Group has two loan facilities totalling a €30.50 million with Deutsche Pfandbriefbank AG.

Of the total amount drawn, €14.0 million matures on 30 June 2023 and carries a fixed interest rate of 0.85% payable quarterly; the remaining €16.5 million matures on 30 June 2026 and carries a fixed interest rate of 1.31%. An additional fixed fee of 0.30% per annum was payable until certain conditions relating to the Frankfurt property were fulfilled on 30 December 2016. The facility was subject to a 0.35% arrangement fee which is being amortised over the period of the loan. The debt has an LTV covenant of 65% and the debt yield must be at least 8.0%

The lender has a charge over property owned by the Group with a value of €69,100,000. A pledge of all shares in the borrowing Group companies is in place.

Bank Loan - Credit Agricole Corporate and Investment Bank
The Group has a €26.0 million loan facility with Credit Agricole Corporate and Investment Bank.

The facility matures on 29 July 2023 and carries an interest rate of 1.35% plus Euribor 3 months per annum payable quarterly. The facility was subject to a 0.85% arrangement fee which is being amortised over the period of the loan.
The debt has an LTV covenant of 65% and the ICR should be above 200%

The loan is collateralised by property assets owned by the Group with a carrying value of €58,200,000.

Business Partner Loan – Mercialys
The Group has a €10.75 million loan facility with Mercialys, a 30% minority investor in the share capital of SCI Rennes Anglet, a 70% owned subsidiary of the Group. The loan matures on 28 June 2031 and interest is payable at the maximum deductible rate as published by the French tax authorities. As at 30 September 2017 the last applicable rate was 1.67% (2016: 2.08%). The interest can be capitalised if not paid. The loan balance outstanding as at 30 September 2017 was €3.06 million.

Mercialys meets the definition of a related party under IAS 24.

Notes to the Financial Statements (continued)

18. Trade and other payables

	Group 30/09/2017 €000	Group 30/09/2016 €000	**Company 30/09/2017 €'000**	Company 30/09/2016 €'000
Rent received in advance	**356**	50	**-**	-
Rental deposits	**1,443**	684	**-**	-
Interest payable	**101**	95	**-**	-
Retention payable	**96**	50	**-**	-
Accruals	**1,673**	1,713	**386**	650
VAT payable	**694**	-	**-**	-
Trade payables	**120**	492	**-**	-
	4,483	3,084	**386**	650

All trade and other payables are interest free and payable within one year.

Included within the Group's accruals are amounts relating to management fees of €125,000 (2016: €438,000), real estate taxes of Nil (2016: €224,000) and property expenses of €1,037,000 (2016: €347,000).

19. Net Asset Value per Ordinary Share

The NAV per Ordinary Share of 133.3 cents per share is based on the net assets attributable to ordinary shareholders of the Company of €178,326,000, and 133,734,686 Ordinary Shares in issue at 30 September 2017.

The NAV per Ordinary Share as at 30 September 2016 has been presented as 130.1 cents per share. The NAV attributable to ordinary shareholders of €157,760,000 has been used in this revised calculation to replace the total NAV of €164,564,000. 121,234,686 Ordinary Shares were in issue as at 30 September 2016.

20. Financial instruments, properties and associated risks

Financial risk factors

The Group holds cash and liquid resources as well as having debtors and creditors that arise directly from its operations. The Group uses interest rate contracts when required to limit exposure to interest rate risks, but does not have any other derivative instruments.

The main risks arising from the Group's financial instruments and properties are market price risk, currency risk, credit risk, liquidity risk and interest rate risk. The Board regularly reviews and agrees policies for managing each of these risks and these are summarised below:

Notes to the Financial Statements (continued)

20. Financial instruments, properties and associated risks (continued)

Market price risk
Rental income and the market value for properties are generally affected by overall conditions in the economy, such as changes in gross domestic product, employment trends, inflation and changes in interest rates. Changes in gross domestic product may also impact employment levels, which in turn may impact the demand for premises. Furthermore, movements in interest rates may also affect the cost of financing for real estate companies.

Both rental income and property values may also be affected by other factors specific to the real estate market, such as competition from other property owners, the perceptions of prospective tenants of the attractiveness, convenience and safety of properties, the inability to collect rents because of bankruptcy or the insolvency of tenants, the periodic need to renovate, repair and release space and the costs thereof, the costs of maintenance and insurance, and increased operating costs.

The Directors monitor the market value of investment properties by having independent valuations carried out quarterly by a firm of independent chartered surveyors.

Included in market price risk is interest rate risk which is discussed further below.

Currency risk
The Group’s policy is for Group entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. Where Group entities have liabilities in a currency other than their functional currency (and have insufficient reserves of that currency to settle them), cash already in that currency will, where possible, be transferred from elsewhere within the Group. The functional currency of all entities in the Group is the euro. Currency risk sensitivity has not been shown due to the small values of non euro transactions. The table below details the Group’s exposure to foreign currencies at the year-end:

Net Assets	**Group 30/09/2017 €000**	Group 30/09/2016 €000	**Company 30/09/2017 €’000**	Company 30/09/2016 €’000
Euros	**185,905**	163,934	**167,356**	158,065
Sterling	**24**	713	**24**	713
Rand	**88**	52	**88**	52
	186,017	164,699	**167,468**	158,830

Credit risk
Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Group. In the event of default by an occupational tenant, the Group will suffer a rental income shortfall and incur additional costs, including legal expenses, in maintaining, insuring and re-letting the property.

The Investment Manager reviews reports prepared by Dun & Bradstreet, or other sources to assess the credit quality of the Group’s tenants and aims to ensure there is no excessive concentration of risk and that the impact of any default by a tenant is minimised.

In respect of credit risk arising from other financial assets, which comprise cash and cash equivalents and a loan to joint venture, exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments. In order to mitigate such risks, cash is maintained with major international financial institutions with high quality credit ratings. Credit risk relating to the loan to joint venture is actively managed and the Group believes it does not carry any risk of impairment.

Notes to the Financial Statements (continued)

20. Financial instruments, properties and associated risks (continued)

The table below shows the balance of cash and cash equivalents held with various financial institutions at the end of the reporting year.

Bank	Ratings as at 30/09/2017	Group balance at 30/09/2017 €'000	Company balance at 30/09/2017 €'000
HSBC Bank plc	AA-	745	696
ING Bank N.V.	A+	8,254	-
BNP Paribas	A+	1,155	-
Commerzbank AG	BBB+	325	-
FirstRand Bank Limited	BB+	87	87
Santander	A	15,133	13,800
Societe Generale	A	2,822	-
		28,521	14,583

Bank	Ratings as at 30/09/2016	Group balance at 30/09/2016 €'000	Company balance at 30/09/2016 €'000
HSBC Bank plc	AA-	55,133	6,016
ING Bank N.V.	A	2,722	-
BNP Paribas	A	438	-
Commerzbank AG	BBB+	131	-
FirstRand Bank Limited	BBB-	52	52
		58,476	6,068

The maximum exposure to credit risk for rent receivables at the reporting date by type of sector was:

	30/09/2017 Carrying amount €000	30/09/2016 Carrying amount €000
Office	**586**	363
Retail	**960**	234
	1,546	597

Rent receivables which are past their due date, but which were not impaired at the reporting date were:

	30/09/2017 Carrying amount €000	30/09/2016 Carrying amount €000
0-30 days	**1,487**	566
31-60 days	**-**	4
61-90 days	**12**	2
91 days plus	**47**	25
	1,546	597

Notes to the Financial Statements (continued)

20. Financial instruments, properties and associated risks (continued)

Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulties in meeting obligations associated with its financial obligations.

The Group's investments comprise of Continental European commercial property. Property and property-related assets are inherently difficult to value due to the individual nature of each property. As a result, valuations are subject to substantial uncertainty. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales price even where such sales occur shortly after the valuation date. Investments in property are relatively illiquid; however the Group has tried to mitigate this risk by investing in properties that it considers to be good quality.

In certain circumstances, the terms of the Group's debt facilities entitle the lender to require early repayment and in such circumstances the Group's ability to maintain dividend levels and the net asset value could be adversely affected. The Investment Manager prepares cash flows on a rolling basis to ensure the Group can meet future liabilities as and when they fall due.

The following table indicates the undiscounted maturity analysis of the financial liabilities.

As at 30 September 2017	Carrying amount €000	Expected Cash flows €000	6 mths or less €000	6 mths - 2 years €000	2-5 years €000	More than 5 years €000
Financial liabilities						
Interest-bearing loans and borrowings and interest	59,564	64,891	368	1,107	2,214	61,202
Trade and other payables	3,689	3,689	3,689	-	-	-
Total financial liabilities	**63,253**	**68,580**	**4,057**	**1,107**	**2,214**	**61,202**

As at 30 September 2016	Carrying amount €000	Expected Cash flows €000	6 mths or less €000	6 mths - 2 years €000	2-5 years €000	More than 5 years €000
Financial liabilities						
Interest-bearing loans and borrowings and interest	58,819	58,819	95	-	-	58,724
Trade and other payables	2,989	2,989	2,989	-	-	-
Total financial liabilities	**61,808**	**61,808**	**3,084**	**-**	**-**	**58,724**

Notes to the Financial Statements (continued)

20. Financial instruments, properties and associated risks (continued)

Interest rate risk
Exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations and to interest earned on cash balances. As interest on the Group's long-term debt obligations is payable on a fixed-rate basis, or is capped, the Group has limited exposure to interest rate risk, but is exposed to changes in fair value of long-term debt obligations driven by interest rate movements. As at 30 September 2017 the fair value of the Group's €59.7 million loan was equal to its carrying amount (2016: €59.7 million).

A 1% increase or decrease in short-term interest rates would increase or decrease the annual income and equity by €0.3m (2016: €0.6m) based on the cash balance as at 30 September 2017.

Fair values
The fair values of financial assets and liabilities approximate their carrying values in the financial statements.

The fair value hierarchy levels are as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the assets or liability that are not based on observable market data (unobservable inputs).

There have been no transfers between Levels 1, 2 and 3 during the year (2016: none).

The following summarises the main methods and assumptions used in estimating the fair values of financial instruments and investment property.

Investment property- level 3
Fair value is based on valuations provided by an independent firm of chartered surveyors and registered appraisers. These values were determined after having taken into consideration recent market transactions for similar properties in similar locations to the investment properties held by the Group. The fair value hierarchy of investment property is level 3. See Note 10 for further details.

Interest bearing loans and borrowings – level 2
Fair values are based on the present value of future cash flows discounted at a market rate of interest. Issue costs are amortised over the period of the borrowings. As at 30 September 2017 the fair value of the Group's loans was equal to its book value.

Trade and other receivables/payables– level 2
All receivables and payables are deemed to be due within one year and as such the notional amount is considered to reflect the fair value.

Derivatives – level 3
Fair values of derivatives are based on current market conditions compared to the terms of the derivative agreements.

Capital management
The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The objective is to ensure that it will continue as a going concern and to maximise return to its equity shareholders through appropriate level of gearing.

Notes to the Financial Statements (continued)

20. Financial instruments, properties and associated risks (continued)

The Group's debt and capital structure comprises the following:

	30/09/2017 €000	30/09/2016 €000
Debt		
Fixed rate loan facilities	**58,873**	58,819
Equity		
Called-up share capital	**45,382**	28,876
Reserves	**132,945**	128,884
Total debt and equity	**237,200**	216,579

There were no changes in the Group's approach to capital management during the year.

21. Foreign exchange

During the year the Group incurred the following foreign currency gains and losses:

Realised currency losses of €4,000 arose on sundry corporate expense transactions.

An unrealised currency loss of €3,000 arose when monetary assets and liabilities held by the Group were retranslated into euros at the year end for reporting purposes.

Both of these realised and unrealised amounts appear within the Statement of Comprehensive Income.

At each period end the Group retranslates its sterling denominated share capital, share premium and other reserves into euros using the period end exchange rate. At 30 September 2017 the unrealised currency loss arising on this retranslation was €27.7m. This amount appears within the Statement of Changes in Equity.

During the prior year the Group incurred the following foreign currency losses:

A realised currency loss of €314,000 arose when £51.0 million of share issue proceeds received on 9 December 2015 was converted into euros on 14 December 2015. A realised currency gain of €210,000 arose on a cash transaction. Other currency gains of €4,000 arose on sundry corporate expense transactions.

A net unrealised currency loss of €226,000 arose when £0.8m and R0.8m of cash and other monetary items held by the Group at the period were retranslated into euros at the period end for reporting purposes.

Both of these realised and unrealised amounts appear within the Statement of Comprehensive Income.

On 9 December 2015 the company issued £54.7 million of sterling denominated share capital to its South African investors. This share capital was valued at €75.3 million on the date of issue. The proceeds of this share issue were settled by investor funds of R1.18bn valued at €73.7 million on the date of issue. The reason for the difference is that the amount paid by investors was required to be determined one week in advance of the issue date by a forward exchange rate provided to South African investors and could not be hedged by the Company at IPO. The currency loss arising from this was €1.6 million. This amount appears within the Statement of Changes in Equity as part of total issue costs of €5.0 million. Following IPO the Company is able to hedge currency when issuing new equity and therefore this is not expected to reoccur.

Notes to the Financial Statements (continued)

21. Foreign exchange (continued)

At each period end the Group retranslates its sterling denominated share capital, share premium and other reserves into euros using the period end exchange rate. At 30 September 2016 the unrealised currency loss arising on this retranslation was €25.7m. This amount appears within the Statement of Changes in Equity.

22. Operating leases

The Group leases out its investment property under operating leases. At 30 September 2017 the future minimum lease receipts under non-cancellable leases are as follows:

	30/09/2017	30/09/2016
	€000	€000
Less than one year	**12,811**	9,410
Between one and five years	**27,944**	34,648
More than five years	**11,698**	15,216
	52,453	59,274

The total above comprises the total contracted rent receivable as at 30 September 2017.

23. Related party transactions

Material agreements are disclosed in note 3 and loans from related parties are disclosed in note 17. Directors' emoluments are disclosed in note 6.

24. Capital commitments

At 30 September 2017 the Group had no capital commitments.

25. Post balance sheet events

There were no post balance sheet events.

EPRA and Headline Performance Measures (unaudited)

As recommended by EPRA (European Public Real Estate Association), EPRA performance measures are disclosed in the section below.

EPRA performance measures: summary table

	30/09/2017	30/09/2016
	Total €000	Total €000
EPRA earnings	**6,947**	1,013
EPRA earnings per share	**5.2**	0.9
EPRA NAV	**178,608**	157,560
EPRA NAV per share	**133.6**	130.0
EPRA NNNAV	**178,608**	157,560
EPRA NNNAV per share	**133.6**	130.0
EPRA Net Initial Yield	**6.0%**	5.1%
EPRA topped-up Net Initial Yield	**6.0%**	5.1%
EPRA Vacancy Rate	**1.5%**	0%

a. EPRA earnings and EPS

Total comprehensive profit/(loss) excluding realised and unrealised gains/losses on investment property, share of profit on joint venture investments and changes in fair value of financial instruments, divided by the weighted average number of shares.

	30/09/2017 €000	30/09/2016 €000
Total comprehensive profit/(loss)	**11,172**	(3,625)
Adjustments to calculate EPRA Earnings:		
Net valuation (profit)/loss on investment property	**(4,284)**	4,537
Exchange differences on monetary items (unrealised)	**3**	226
Share of joint venture loss on investment property	**429**	-
Minority interest’s net revenue	**(744)**	(185)
Deferred tax	**443**	-
Finance (income)/costs: interest rate cap	**(72)**	60
EPRA earnings	**6,947**	1,013
Weighted average number of ordinary shares	**132,775,782**	118,319,687
IFRS earnings/(loss) per share (cents per share)	**7.7**	(2.1)
EPRA earnings per share (cents per share)	**5.2**	0.9

EPRA and Headline Performance Measures (unaudited) (continued)

b. EPRA NAV per share

The Net Asset Value adjusted to exclude assets or liabilities not expected to crystallise in a long-term investment property model, divided by the number of shares in issue.

	30/09/2017 €000	30/09/2016 €000
IFRS Group NAV per financial statements	**186,017**	164,564
Adjustment for Minority Interests	**(7,609)**	(6,804)
Deferred tax	**473**	-
Adjustment for fair value of financial instruments	**(273)**	(200)
EPRA NAV	**178,608**	157,560
Shares in issue at end of year	**133,734,686**	121,234,686
IFRS Group NAV per share	**139.1**	135.7
EPRA NAV per share	**133.6**	130.0

c. EPRA NNNAV per share

The EPRA NAV adjusted to include the fair value of debt, divided by the number of shares in issue.

	30/09/2017 €000	30/09/2016 €000
EPRA NAV	**178,608**	157,560
Adjustments to calculate EPRA NNNAV:		
Fair value of debt	**-**	-
EPRA NNNAV	**178,608**	157,560
EPRA NNNAV per share	**133.6**	130.0

d. EPRA Net Initial Yield

Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the grossed up market value of the complete property portfolio.

The EPRA "topped up" NIY is the EPRA NIY adjusted for unexpired lease incentives.

	30/09/2017 €000	30/09/2016 €000
Investment property – share of subsidiaries	**185,240**	148,160
Investment property – share of joint ventures and funds	**26,450**	-
Complete property portfolio	**211,690**	148,160
Allowance for estimated purchasers' costs	**14,818**	9,954
Gross up completed property portfolio valuation	**226,508**	159,423
Annualised cash passing rental income	**14,200**	8,088
Property outgoings	**(700)**	-
Annualised net rents	**13,500**	8,088
Notional rent expiration of rent free periods	**100**	-
Topped-up net annualised rent	**13,600**	8,088
EPRA NIY	**6.0%**	5.1%
EPRA "topped-up" NIY	**6.0%**	5.1%

EPRA and Headline Performance Measures (unaudited) (continued)

e. Headline Earnings Reconciliation

	30/09/2017	30/9/2016
	€000	€000
Total comprehensive profit/(loss)	**11,172**	(3,625)
Adjustments to calculate Headline Earnings exclude:		
Net valuation (profit)/loss on investment property	**(4,284)**	4,537
Share of joint venture loss on investment property	**429**	-
Minority interests net revenue	**(744)**	(185)
Deferred tax	**443**	-
Finance (income)/costs: interest rate cap	**(72)**	60
Headline earnings	**6,944**	787
Weighted average number of ordinary shares	**132,775,782**	118,319,687
Headline earnings per share (cents per share)	**5.2**	0.7

Headline earnings per share reflect the underlying performance of the company calculated in accordance with the Johannesburg Stock Exchange Listing requirements.

EPRA and Sustainability Performance Measures (unaudited) (continued)

EPRA Sustainability Reporting Performance Measures

The Company reports environmental data in accordance with EPRA Best Practice Recommendations on Sustainability Reporting (EPRA sBPR 2014, 2nd Edition) for 12 months 1 April 2016 to 31 March 2017. Environmental data for the prior year (1 April 2015 to 31 March 2016) is not reported as the Company began purchasing assets in March 2016. Accordingly, the prior reporting year is not relevant and the 'absolute consumption' EPRA sBPR indicators reported below are not reported for this period. Furthermore, the following 'like-for-like consumption' EPRA sBPR indicators are also not applicable and therefore not reported: Elec-LfL; Fuels-LfL.

The reporting boundary has been scoped to where the Company has operational control: managed properties where the Company is responsible for payment of utility invoices. The reported environmental data relates to the three managed assets, in Frankfurt, Hamburg and Stuttgart Germany, that were in the portfolio as at 31 March 2017. The Company did not use any district heating or cooling across the portfolio during the reporting period; the following EPRA sBPR indicators are therefore not applicable and not presented below: DH&C-Abs and DH&C-LfL.

Total Energy Consumption (Elec-Abs; Fuels-Abs; Energy-Int)

The table below sets out total landlord obtained energy consumption from the Company's managed portfolio by sector.

Sector	Electricity (kWh) 2016/17	Fuels (kWh) 2016/17	Building Energy Intensity (kWh/m^2) 2016/17
Office	124,169	555,214	50
Coverage	*2/2*	*2/2*	*2/2*
Retail, Shopping Centre	66,084	281,386	77
Coverage	*1/1*	*1/1*	*1/1*
Total	190,253	836,600	
Total electricity and fuel	1,026,853		
% renewable energy	0%		
Coverage	*3/3*		

- Consumption data relates to the managed portfolio only and energy consumed in common areas, exterior areas and/or as part of a shared service (i.e. operation of central plant). Electricity consumed in tenant areas is not reported.
- Estimation: 17% of electricity data and 38% of fuel data has been estimated.
- Normalisation: A kWh/m^2 is reported for assets within the absolute portfolio. The numerator is landlord-managed energy consumption and the denominator is net lettable floor area (m^2).
- Coverage: Relates to number of managed assets for which data is reported.

EPRA and Sustainability Performance Measures (unaudited) (continued)

Greenhouse Gas Emissions (GHG-Dir-Abs; GHG-Indir-Abs; GHG-Int)

The table below sets out the Company's greenhouse gas emissions by sector.

Sector	Absolute Emissions (tCO^2e) 2016/17	Intensity (kg CO_2e/m^2) 2016/17
Office		
Scope 1	133	
Scope 2	66	14.6
Coverage	*2/2*	*2/2*
Retail, Shopping Centre		
Scope 1	67	
Scope 2	35	22.5
Coverage	*1/1*	*1/1*
Total Scope 1	200	
Total Scope 2	101	
Total Scopes 1 and 2	301	
Coverage	*3/3*	

- Methodology:
  - The Company's greenhouse gas (GHG) inventory has been developed as follows:
    - Fuels / Electricity: Federal Ministry for the Environmental Protection, Buildings and Security 'Okobaudat' (2016). Sustainable Construction Informational Portal.
  - GHG emissions from electricity (Scope 2) are reported according to the 'location-based' approach.
  - GHG emissions are presented as kilograms of carbon dioxide equivalent ($kgCO_2e$)
- GHG emissions data relates to the managed portfolio only and energy consumed in common areas, external areas and/or as part of a shared service (i.e. operation of central plant). GHG emissions associated with electricity consumed in tenant areas is not reported.
- Estimation: 17% of electricity data and 38% of fuel data has been estimated.
- Normalisation: A $kgCO_2e/m^2$ is reported for assets within the absolute portfolio. The numerator is landlord-managed GHG emissions from energy consumption and the denominator is net lettable floor area (m^2).
- Coverage: Relates to number of managed assets for which data is reported.

Water (Water-Abs; Water-Int)

The table below sets out water consumption for assets managed by the Company.

Sector	Total Water Consumption (m^3) 2016/17	Intensity (m^3/m^2) 2016/17
Office	3,273	0.24
Coverage	*2/2*	*2/2*
Retail, Shopping Centre	203	0.04
Coverage	*1/1*	*1/1*
Total	3,476	
Coverage	*3/3*	

EPRA and Sustainability Performance Measures (unaudited) (continued)

- Consumption data relates to the managed portfolio only and water consumed across the whole building (including common parts and tenant areas).
- Estimation: 33% of water data has been estimated.
- Normalisation: A m^3/m^2 is reported for assets within the like for like portfolio. The numerator is landlord-managed water consumption and the denominator is net lettable floor area (m^2).
- Coverage: Relates to number of managed assets for which data is reported.

Waste (Waste-Abs)

The table below sets out waste managed by the Company by disposal route and sector.

Sector	Absolute weight (tonnes) 2016/17	% 2016/17
Office		
Direct to MRF	14	31
Incineration (with energy recovery)	31	69
Landfill	-	-
Coverage	*2/2*	
Retail, Shopping Centre		
Direct to MRF	-	-
Incineration (with energy recovery)	9	100
Landfill	-	-
Coverage	*1/1*	
Totals		
Direct to MRF	*14*	
Incineration (with energy recovery)	*40*	
Landfill	*0*	
Coverage	*3/3*	

- MRF is a Materials Recovery Facility.
- Coverage relates to number of managed assets for which data is reported.

Sustainability Certification (Cert-Tot)

Energy Performance Certificate Rating	Portfolio by floor area (%)
A	-
B	5%
C	35%
D	28%
E	-
F	-
G	-
Exempt	-
Coverage	*68%*

- Sustainability Certification records for the Company are provided as at 31st March 2017 against portfolio floor area.
- Data provided includes managed and non-managed assets (i.e. the whole portfolio).
- German EPCs do not have a letter rating system used in certification. A conversion has been applied to numerical scoring to give an indicative score.

GLOSSARY AND SHAREHOLDER INFORMATION

Glossary

Admission means the admission of the Company's ordinary shares to the premium segment of the Official List, to trading on the LSE's main market for listed securities, and to trading on the main board of the JSE on 9 December 2015.

AGM means the Annual General Meeting of the Company.

Articles means the Company's articles of association, as amended from time to time.

Companies Act means the Companies Act 2006

Company is Schroder European Real Estate Investment Trust plc.

Directors means the directors of the Company as at the date of this document and their successors and "Director" means any one of them.

Disclosure Guidance and Transparency Rules means the disclosure guidance and transparency rules made by the FCA under Part VII of the UK Financial Services and Markets Act 2000, as amended.

Earnings per share ("EPS") is the profit after taxation divided by the weighted average number of shares in issue during the period. Diluted and Adjusted EPS per share are derived as set out under NAV.

Estimated rental value ("ERV") is the Group's external valuers' reasonable opinion as to the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of a property.

EPRA is European Public Real Estate Association.

EPRA NNNAV is EPRA Triple Net Asset Value and includes the fair value adjustments in respect of all material balance sheet items.

FCA is the UK Financial Conduct Authority.

Gearing is the Group's net debt as a percentage of net assets.

Group is the Company and its subsidiaries.

Initial yield is the annualised net rents generated by the portfolio expressed as a percentage of the portfolio valuation.

Interest cover is the number of times Group net interest payable is covered by Group net rental income.

IPO is the initial placing and offer made pursuant to a prospectus dated 11 November 2015.

JSE is the Johannesburg Stock Exchange.

Loan to value ("LTV") is a ratio which expresses the gearing on an asset or within a company or Group by dividing the outstanding loan amount by the value of the assets on which the loan is secured.

LSE is the London Stock Exchange.

MSCI (formerly Investment Property Databank or 'IPD') is a Company that produces an independent benchmark of property returns.

Listing Rules means the listing rules made by the FCA under Part VII of the UK Financial Services and Markets Act 2000, as amended.

Net Asset Value ("NAV") is the total assets value minus total liabilities.

NAV total return is calculated taking into account the timing of dividends, share buy backs and issuance.

Net rental income is the rental income receivable in the period after payment of ground rents and net property outgoings.

Explanation of Special Business

THIS SECTION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt about the action you should take, you should consult an independent financial adviser, authorised under the Financial Services and Markets Act 2000. If you have sold or transferred all of your ordinary shares in the Company, please forward this document with its accompanying form of proxy at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

The AGM of the Company will be held on Wednesday, 21 February 2018 at 12 noon. The formal Notice of Meeting is set out on pages 90 to 91. The following paragraphs explain the special business to be put to the AGM.

Resolutions 6 and 7 – Directors' authority to allot ordinary shares (ordinary resolutions) and Resolutions 8 and 9 – power to disapply pre-emption rights (special resolutions)
The Investment Manager believes that there are ongoing opportunities to generate attractive risk-adjusted returns through investing in accordance with the Company's investment policy.

In order to facilitate further equity raises to fund such investment opportunities, the Directors are seeking authorities to allot up to a specified number of ordinary shares for cash without first offering them to existing shareholders in accordance with statutory pre-emption procedures. Ordinary shares issued (or sold from treasury) pursuant to these authorities would not be issued at a price that is less than the prevailing net asset value per ordinary share.

Appropriate resolutions will be proposed at the forthcoming AGM and are set out in full in the Notice of AGM. An ordinary resolution (Resolution 6) will be proposed to authorise the Directors to allot ordinary shares up to a maximum aggregate nominal amount of £1,337,346 (being 10% of the issued share capital as at the date of the Notice of the AGM). A further ordinary resolution (Resolution 7) will also be proposed to authorise the Directors to allot ordinary shares up to an additional maximum aggregate nominal amount of £1,337,346 (being a further 10% of the issued share capital as at the date of the Notice of the AGM).

If both Resolution 6 and Resolution 7 are passed, Shareholders will be approving the issue of up to 20 per cent. of the existing ordinary shares in issue. If Resolution 6 is passed but Resolution 7 is not passed (or if Resolution 7 is passed but Resolution 6 is not passed), Shareholders will be approving the issue of only up to 10 per cent. of the existing ordinary shares in issue.

A special resolution (Resolution 8) will, conditional on the passing of Resolution 6, be proposed to give the Directors authority to allot securities for cash on a non pre-emptive basis up to a maximum aggregate nominal amount of £1,337,346 (being 10% of the Company's issued share capital as at the date of the Notice of the AGM).

In addition to Resolution 8, a further special resolution (Resolution 9) will, conditional on the passing of Resolution 7, be proposed to give the Directors additional authority to allot securities for cash on a non-pre-emptive basis up to a maximum aggregate nominal amount of £1,337,346 (being a further 10% of the Company's issued share capital as at the date of the Notice of the AGM).

The authorities sought by Resolutions 8 and 9 include ordinary shares that the Company sells or transfers that have been held in treasury. The Board has established guidelines for treasury shares and will only re-issue ordinary shares held in treasury at a price equal to or greater than the Company's net asset value (inclusive of current year income) plus any applicable costs.

If both Resolution 8 and Resolution 9 are passed, Shareholders will be approving the disapplication of pre-emption rights in respect of a total of up to 20 per cent. of the existing ordinary shares in issue. The Board believes that it is in Shareholders' interests to increase the Company's authority to 20 per cent. as it enables the Company to take advantage of a recent amendment to the Prospectus Rules made by the United Kingdom Listing Authority enabling the Company to issue new ordinary shares, other than by way of offer to the public, without issuing a prospectus, provided that such new ordinary shares represent, over a period of 12 months, less than 20 per cent. of the number of ordinary shares already admitted to trading on the London Stock Exchange. The Directors believe increasing the authority is in the interests of

Shareholders as they intend to allot ordinary shares pursuant to these authorities to take advantage of investment and asset management opportunities if they believe it to be advantageous to the Company's existing Shareholders to do so and when it would not be dilutive to NAV per ordinary share. The Directors believe this represents an efficient and cost effective way to raise equity in pursuance of the Company's investment objective.

If Resolution 8 is passed but Resolution 9 is not passed (or if Resolution 9 is passed but Resolution 8 is not passed), Shareholders will be approving the disapplication of pre-emption rights in respect of only up to 10 per cent. of the existing ordinary shares in issue.

If approved, the authorities granted pursuant to Resolutions 6, 7, 8 and 9 will expire at the conclusion of the AGM in 2019 unless renewed, varied or revoked earlier.

Resolution 10 - Authority to make market purchases of the Company's own shares (special resolution)
At the AGM held on 8 February 2017, the Company was granted authority to make market purchases of up to 20,046,829 ordinary shares of 10p each for cancellation or holding in treasury. No ordinary shares have been bought back under this authority and the Company therefore has remaining authority to purchase up to 20,046,829 ordinary shares. This authority will expire at the forthcoming AGM.

The Directors believe it is in the best interests of the Company and its shareholders to have a general authority for the Company to buy back its ordinary shares in the market as they keep under review the share price discount to net asset value and the purchase of ordinary shares. A special resolution will be proposed at the forthcoming AGM to give the Company authority to make market purchases of up to 14.99% of the ordinary shares in issue as at the date of the Notice of the AGM. The Directors will exercise this authority only if the Directors consider that any purchase would be for the benefit of the Company and its shareholders, taking into account relevant factors and circumstances at the time. Any ordinary shares so purchased would be held in treasury. If renewed, the authority to be given at the 2018 AGM will lapse at the conclusion of the AGM in 2019 unless renewed, varied or revoked earlier.

Recommendation
The Board considers that the resolutions relating to the above items of special business are in the best interests of shareholders as a whole. Accordingly, the Board unanimously recommends to shareholders that they vote in favour of the above resolutions and the other resolutions to be proposed at the forthcoming AGM, as they intend to do in respect of their own beneficial holdings.

Sir Julian Berney Bt.
Chairman
5 December 2017

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Schroder European Real Estate Investment Trust plc will be held on Wednesday, 21 February 2018 at 12 noon at 31 Gresham Street, London EC2V 7QA to consider the following resolutions of which resolutions 1 to 7 will be proposed as ordinary resolutions and resolutions 8 to 10 will be proposed as special resolutions:

1. To receive the Report of the Directors and the audited accounts for the year ended 30 September 2017.
2. To approve the annual report on remuneration for the year ended 30 September 2017.
3. To re-elect Sir Julian Berney Bt. as a Director of the Company.
4. To re-appoint PricewaterhouseCoopers LLP as Auditors to the Company.
5. To authorise the Directors to determine the remuneration of PricewaterhouseCoopers LLP as Auditors to the Company.
6. To consider and, if thought fit, pass the following resolution as an ordinary resolution:
   "That in substitution for all existing authorities the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of section 551 of the Act) up to an aggregate nominal amount of £1,337,346 (being 10% of the issued ordinary share capital, at the date of this Notice) for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the next Annual General Meeting of the Company, but that the Company may make an offer or agreement which would or might require relevant securities to be allotted after expiry of this authority and the Board may allot relevant securities in pursuance of that offer or agreement."
7. To consider and, if thought fit, pass the following resolution as an ordinary resolution:
   "That in addition to any authority conferred by Resolution 6 above, the Directors be generally and unconditionally authorised pursuant to section 551 of the Act to exercise all the powers of the Company to allot relevant securities (within the meaning of section 551 of the Act) up to an aggregate nominal amount of £1,337,346 (being 10% of the issued ordinary share capital, at the date of this Notice) for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the next Annual General Meeting of the Company, but that the Company may make an offer or agreement which would or might require relevant securities to be allotted after expiry of this authority and the Board may allot relevant securities in pursuance of that offer or agreement."
8. To consider and, if thought fit, to pass the following resolution as a special resolution:
   "That, subject to and conditional on the passing of Resolution 6 set out above, the Directors be and are hereby empowered, pursuant to Sections 570 and 573 of the Act, to allot or sell equity securities (including any ordinary shares held in treasury) (as defined in section 560(1) of the Act) pursuant to the authority given in accordance with section 551 of the Act by Resolution 6 and/or where such allotment constitutes an allotment of equity securities by virtue of section 560(2) of the Act as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £1,337,346 (representing 10% of the aggregate nominal amount of the share capital in issue at the date of this Notice); and provided that this power shall expire at the conclusion of the next Annual General Meeting of the Company but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require equity securities to be allotted after such expiry."
9. To consider and, if thought fit, to pass the following resolution as a special resolution:
   "That, subject to and conditional on the passing of Resolution 7 set out above, and in addition to any authority conferred by Resolution 8 above, the Directors be and are hereby empowered, pursuant to Sections 570 and 573 of the Act, to allot or sell equity securities (including any ordinary shares held in treasury) (as defined in section 560(1) of the Act) pursuant to the authority given in accordance with section 551 of the Act by Resolution 7 and/or where such allotment constitutes an allotment of equity securities by virtue of section 560(2) of the Act as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £1,337,346 (representing 10% of the aggregate nominal amount of the share capital in issue at the date of this Notice); and provided that this power shall expire at the conclusion of the next Annual General Meeting of the Company but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require equity securities to be allotted after such expiry."
10. To consider and, if thought fit, to pass the following resolution as a special resolution:
   "That the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693 of the Act) of

ordinary shares of 10p each in the capital of the Company ("Shares") at whatever discount the prevailing market price represents to the prevailing net asset value per Share provided that:

(a) the maximum number of Shares which may be purchased is 20,046,829, representing 14.99% of the Company's issued ordinary share capital as at the date of this Notice;

(b) the maximum price (exclusive of expenses) which may be paid for a Share shall not exceed the higher of:

i) 105% of the average of the middle market quotations for the Shares as taken from the London Stock Exchange Daily Official List for the five business days preceding the date of purchase; and

ii) the higher of the last independent bid and the highest current independent bid on the London Stock Exchange;

(c) the minimum price (exclusive of expenses) which may be paid for a Share shall be 10p, being the nominal value per Share;

(d) this authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company in 2019 (unless previously renewed, varied or revoked by the Company prior to such date);

(e) the Company may make a contract to purchase Shares under the authority hereby conferred which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Shares pursuant to any such contract; and

(f) any Shares so purchased will be cancelled or held in treasury."

By order of the Board

For and on behalf of
Schroder Investment Management Limited
Registered Number: 09382477
5 December 2017

Registered Office:
31 Gresham Street
London EC2V 7QA

Explanatory Notes to the Notice of Meeting

Information for shareholders on the UK register

1. Ordinary shareholders are entitled to attend and vote at the meeting and to appoint one or more proxies, who need not be a shareholder, as their proxy to exercise all or any of their rights to attend, speak and vote on their behalf at the meeting.

A proxy form is attached. If you wish to appoint a person other than the Chairman as your proxy, please insert the name of your chosen proxy holder in the space provided at the top of the form. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account). Additional proxy forms can be obtained by contacting the Company's Registrars, Equiniti Limited, on 0800 032 0641 or +44(0) 121 415 0207 for overseas callers, or you may photocopy the attached proxy form. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. Completion and return of a form of proxy will not preclude a member from attending the Annual General Meeting and voting in person.

On a vote by show of hands, every ordinary shareholder who is present in person has one vote and every duly appointed proxy who is present has one vote. On a poll vote, every ordinary shareholder who is present in person or by way of a proxy has one vote for every share of which he/she is a holder.

The "Vote Withheld" option on the proxy form is provided to enable you to abstain on any particular resolution. However it should be noted that a "Vote Withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.

A proxy form must be signed and dated by the shareholder or his or her attorney duly authorised in writing. In the case of joint holdings, any one holder may sign this form. The vote of the senior joint holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder and for this purpose seniority will be determined by the order in which the names appear on the Register of Members in respect of the joint holding. To be valid, proxy form(s) must be completed and returned to the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, in the enclosed envelope together with any power of attorney or other authority under which it is signed or a copy of such authority certified notarially, to arrive no later than 48 hours before the time fixed for the meeting, or an adjourned meeting. Shareholders may also appoint a proxy to vote on the resolutions being put to the meeting electronically at www.sharevote.co.uk. Shareholders who are not registered to vote electronically will need to enter the Voting ID and Shareholder Reference ID set out in their personalised proxy form. Alternatively, shareholders who have already registered with Equiniti's Shareview service can appoint a proxy by logging onto their portfolio at www.shareview.co.uk vote using their user ID and password. Once logged in click "View" on the "My Investments" page and click on the link to vote. The on-screen instructions give details on how to complete the appointment process. Please note that to be valid, your proxy instructions must be received by Equiniti no later than 12 noon on 19 February 2018. If you have any difficulties with online voting, you should contact the shareholder helpline on 0800 032 0641 (or +44(0) 121 415 0207 for overseas callers). If an ordinary shareholder submits more than one valid proxy appointment, the appointment received last before the latest time for receipt of proxies will take precedence.

Shareholders may not use any electronic address provided either in this Notice of Annual General Meeting or any related documents to communicate with the Company for any purposes other than expressly stated.

Representatives of shareholders that are corporations will have to produce evidence of their proper appointment when attending the Annual General Meeting.

2. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him or her and the shareholder by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the

Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

The statement of the rights of ordinary shareholders in relation to the appointment of proxies in note 1 above does not apply to Nominated Persons. The rights described in that note can only be exercised by ordinary shareholders of the Company.

3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those shareholders registered in the Register of members of the Company at 6.30 p.m. on 19 February 2018, or 6.30 p.m. two days prior to the date of an adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the Register of Members after 6.30 p.m. on 19 February 2018 shall be disregarded in determining the right of any person to attend and vote at the meeting.

4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST manual. The CREST manual can be viewed at www.euroclear.com. A CREST message appointing a proxy (a "CREST proxy instruction") regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction previously given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time for receipt of proxy appointments.

5. Copies of the terms of appointment of the non-executive Directors and a statement of all transactions of each Director and of his family interests in the shares of the Company, will be available for inspection by any member of the Company at the registered office of the Company during normal business hours on any weekday (English public holidays excepted) and at the Annual General Meeting by any attendee, for at least 15 minutes prior to, and during, the Annual General Meeting. None of the Directors has a contract of service with the Company.

6. The biography of the Director offering himself for re-election is set out in the Company's Annual Report and Accounts for the year ended 30 September 2017.

7. As at 5 December 2017, 133,734,686 ordinary shares of 10 pence each were in issue (no shares were held in treasury). Therefore the total number of voting rights of the Company as at 5 December 2017 was 133,734,686.

8. A copy of this Notice of meeting, which includes details of shareholder voting rights, together with any other information as required under Section 311A of the Companies Act 2006, is available from the Company's webpage, www.schroders.co.uk/sereit.

9. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the Annual General Meeting any question relating to the business being dealt with at the AGM which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered or if to do so would involve the disclosure of confidential information.

Information for shareholders on the South Africa register

Certificated shareholder and own-name registered dematerialised shareholders

1. Each shareholder is entitled to appoint one or more proxies (none of whom need be a shareholder of the Company) to attend, speak, vote or abstain from voting in place of that shareholder at the Annual General Meeting of shareholders.

2. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting "the Chairman of the Meeting," but any such deletion must be initialled by the shareholder. The person whose name stands first on the form of proxy and who is present at the Annual General Meeting of shareholders will be entitled to act as proxy to the exclusion of those whose names follow.

3. Forms of proxy must be lodged with or posted to the transfer secretaries, Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107) or faxed to +27 11 688-5238 to be received by no later than 2.00 p.m. (Johannesburg time) on Monday, 19 February 2018.

4. The completion and lodging of a form of proxy will not preclude the shareholder from attending the Annual General Meeting and speaking and voting in person to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.

5. If the signatory does not indicate in the appropriate place on the face of the proxy how he/she wishes to vote in respect of any resolutions, his/her proxy shall be entitled to vote as he/she deems fit in respect of that resolution. The Chairman intends to vote all available undirected proxies in favour of all Resolutions.

6. The Chairman of the Meeting shall be entitled to decline to accept the authority of a person signing this form of proxy:

- under a power of attorney; or
- on behalf of a company;

unless the power of attorney or authority is deposited at the office of “the Company’s transfer secretaries, not less than 48 hours before the time appointed for the holding of the Annual General Meeting.

7. The Chairman of the Meeting may reject or accept any form of proxy, which is completed and/or received other than in accordance with these notes, provided that the Chairman is satisfied as to the manner in which the shareholder concerned wishes to vote.

8. Subject to note (2) above, a deletion of any printed matter and the completion of any blank spaces on the form of proxy need not be signed or initialled. Any alterations must be signed, not initialled.

9. If the shareholding is not indicated on the form of proxy, the proxy will be deemed to be authorised to vote the total shareholding registered in the shareholder’s name.

10. A vote given in terms of an instrument of proxy shall be valid in relation to the Annual General Meeting, notwithstanding the death of the person granting it, or the revocation of the proxy, or the transfer of the shares in the Company in respect of which the vote is given, unless an intimation in writing of such death, revocation or transfer is received by the transfer secretaries no less than 48 hours before the commencement of the Annual General Meeting.

11. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (e.g. for a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to this form of proxy unless previously recorded by the Company or its transfer secretaries or waived by the Chairman of the Meeting.

12. Where a form of proxy is signed under power of attorney, such power of attorney must accompany this form of proxy, unless it has previously been registered with the Company or the transfer secretaries.

13. Where there are joint holders of shares and if more than one such joint holder is present or represented thereat, then the person whose name appears first in the register of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof.

14. Where shares are held jointly, all joint holders are required to sign.

15. A minor must be assisted by his/her parent or guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries of the Company

Dematerialised shareholders who have not selected “own-name” registrations

16. Dematerialised shareholders who have not selected “own-name” registration and who wish to attend the Annual General Meeting or to vote by way of proxy, must advise their CSD Participant or broker who will issue the necessary letter of representation in writing, for a dematerialised shareholder or proxy to do so. Dematerialised shareholders who have not selected “own-name” registration, who are unable to attend the Annual General Meeting and who wish to vote

there at must provide their CSD Participant or broker with their voting instructions in terms of the custody agreement entered into between such shareholder and their CSD Participant or broker in the manner and time stipulated there in.

Shareholder Information

Webpages and share price information
The Company has dedicated webpages, which may be found at www.schroders.co.uk/sereit. The webpages have been designed to be utilised as the Company's primary method of electronic communication with shareholders. They contain details of the Company's ordinary share price and copies of Report and Accounts and other documents published by the Company as well as information on the Directors, terms of reference of Committees and other governance arrangements. In addition, the webpages contain links to announcements made by the Company to the market, Equiniti's shareview service and Schroders' website. There is also a section entitled "How to Invest".

Share price information may be found in the Financial Times and on Schroders' website at www.schroders.co.uk/its.

Association of Investment Companies
The Company is a member of the Association of Investment Companies. Further information on the Association can be found on its website, www.theaic.co.uk.

ISA status
The Company's shares are eligible for stocks and shares ISAs.

Non-Mainstream Pooled Investments status
The Company currently conducts its affairs so that its shares can be recommended by IFAs to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The Company's shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

Alternative Investment Fund Managers Directive ("AIFMD") Disclosures
The AIFMD, as transposed into the FCA Handbook in the UK, requires that certain pre-investment information be made available to investors in Alternative Investment Funds (such as the Company) and also that certain regular and periodic disclosures are made. This information and these disclosures may be found either below, elsewhere in this annual report, or in the Company's AIFMD information disclosure document published on the website www.schroders.co.uk/its.

Illiquid assets
As at the date of this Report, none of the Company's assets are subject to special arrangements arising from their illiquid nature.

Remuneration disclosures
The information required under the AIFM Directive to be made available to investors in the Company on request in respect of remuneration paid by the AIFM to its staff, and, where relevant, carried interest paid by the Company, can be found on the website www.schroders.co.uk/its.

Publication of Key Information Document ("KID") by the AIFM
Pursuant to the Packaged Retail and Insurance Based Products ("PRIIPs") Regulation, the Manager will soon be required to publish a short KID on the Company. KIDs are designed to provide important information to retail investors, including details of potential returns under different performance scenarios and a risk/reward indicator. The Company's KID will be published via a Regulatory Information Service and made available on its webpage, www.schroders.co.uk/sereit, from 1 January 2018.

Corporate Information

Directors
Sir Julian Berney Bt.
Jonathan Thompson
Mark Patterson

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Schroder Real Estate Investment Management Limited
31 Gresham Street
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Registered Office
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Company Secretary
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55 Baker Street
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Dealing Codes
ISIN: GB00BY7R8K77
SEDOL: BY7R8K7
Ticker (LSE): SERE
Ticker (JSE): SCD

Global Intermediary Identification Number (GIIN):
SU6VCJ.99999.SL.826

Legal Entity Identifier (LEI):
549300BHT1Z8NI4RLD52

Joint Sponsor and Brokers
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Website: www.shareview.co.uk
*Calls to this number are free of charge from UK landlines.
Communications with shareholders are mailed to the address held on the register. Any notifications and enquiries relating to shareholdings, including a change of address or other amendment should be directed to Equiniti Limited at the address above.