SCHRODER EUROPEAN REAL ESTATE INVESTMENT TRUST PLC

Annual Report and Consolidated Financial Statements

For the year ended 30 September 2022

AJBell Awards 2022 PROPERTY - ACTIVE

GRESB 2022

Schroders capital

50 years in Real Estate

About us

Investment objective and purpose

Schroder European Real Estate Investment Trust plc (the 'Company'/'SEREIT') 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.

Company summary

SEREIT 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).

For professional advisers and employee benefits consultants only

Rennes, France

Highlights
For the 12 month period to 30 September 2022

€248.1m[1,2,3]
Like-for-like portfolio valuation increase of 3%, or €7.2million net of capex, over 12 months

€34.4m
Strong balance sheet with significant cash reserves of €34.4 million IFRS cash, providing investable firepower of €50 million including debt

€9.9m/7.4cps
Ordinary dividends declared of €9.9 million/7.4 euro cps for the financial year

€13.9m
IFRS profit of €13.9 million, reflecting an increase of 125% against the last financial year

€12.8m/9.6cps
Special dividends declared in relation to the profit from the Paris BB refurbishment

7.3%/8.7%[1]
Net asset value (NAV) total return of 7.3% over 12 months and 8.7% over three years

20%
LTV net of cash of 20% /LTV gross of cash 29%

6.9%/9.7%[1]
Real estate total return of 6.9% over the 12 months and 9.7% over three years

Why Invest

A unique and compelling opportunity to invest in a diversified portfolio of commercial Continental European real estate

- **Income considered to be a strong inflation hedge with all leases subject to indexation and c.80% annually indexed**
- **Attractive ordinary dividend yield of 5.3% on current NAV and circa 8.0% on current share price**
- **Significant investable firepower and strong balance sheet**
- **No real estate exposure in Eastern Europe**
- **Local investment and asset management teams with specialist sector and country knowledge**
- **Hospitality led approach to asset management and tenant relationships enhancing returns**
- **A track record of successfully executing on asset management initiatives to generate strong shareholder returns**
- **Opportunity to improve portfolio sustainability credentials and leverage off Schroders market leading expertise**
- **100% of the portfolio by value located in higher-growth regions**

GRESB ★★★★☆ 2022

AJBell Awards2022 PROPERTY - ACTIVE

Global Real Estate Sustainability Benchmark ('GRESB') four star rating achieved for 2022

1 These are Alternative Performance Meansures ('APM's').
2 Includes available cash of €29.4 million (internally calculated).
3 Excludes the Seville property for which the NAV exposure is nil.

Investment Approach

A DISCIPLINED ***INVESTMENT APPROACH***

We recognise that long-term returns from commercial real estate are driven principally by good quality income and income growth.

Our investment approach combines three principal factors:
(1) Integrated research to identify those regions, sectors and investment themes which are expected to generate attractive returns;
(2) A detailed business plan-led approach which aims to unlock value from each portfolio asset; and
(3) A sustainable approach which is beneficial to our tenants, local communities, and thereby portfolio performance.

Mega themes

1. Rapid urbanisation
2. Demographics
3. Technology
4. Resources and infrastructure
5. Impact investment

We expect that the long-term impact of Covid-19 for commercial real estate will be to accelerate certain structural changes which were already underway, including e-commerce, technology advances, operational importance, the review of supply chain management and the adoption of flexible office working. We believe the relevance of cities will continue to thrive in the longer term and achieve stronger growth.

Hamburg, Germany

Research

Research is focused on cyclical and structural trends in order to determine market strategy and exploit mispricing. Occupier demand is increasingly concentrated in 'Winning Cities and Regions' that offer a competitive advantage in terms of higher levels of Gross Domestic Product ('GDP') and should, therefore, generate higher real estate returns.

Thematic investment

Thematic investment driven by macro-trends but focused on segments where a hospitality mindset, coupled with local operational asset management expertise, can deliver impact, sustainability and alpha.

- Operational – hospitality mindset, business understanding, flexibility.
- Flexibility – flexible leases, shorter-term, turnover rents.
- The growth and investment in life sciences and universities.
- Rise of e-commerce and changing consumption – last mile industrial/warehousing close to major cities.

Sustainable investment

Schroder Real Estate is committed to acting in a responsible way for the good of clients, employees and the wider community in order to secure a long-term sustainable future. We believe that a sustainable investment programme should deliver enhanced returns to investors, improved business performance to tenants and tangible positive impacts to local communities and wider society.

Environmental, social and governance ('ESG') and sustainability are embedded within our investment process and apply to all aspects of real estate investment, including acquisition due diligence, asset management, property management provided by third parties, refurbishments and developments. Schroder Real Estate has developed its 'Sustainable Real Estate with Impact' investment programme. This programme links our key impact pillars to the UN Sustainable Development Goals. We use these pillars to consider impacts for funds and assets.

Winning Cities and Regions

Occupier demand is increasingly concentrated in 'Winning Cities and Regions', those that offer a competitive advantage in terms of higher levels of GDP, employment and population growth; differentiated local economies with higher value industries; well-developed infrastructure; and places where people want to live and work. Winning Cities and Regions will change over time and investments will be made in other locations where we see higher rates of future growth that could lead to mispricing opportunities.

- Differentiated economy: Globally facing, financial services, TMT hubs, life sciences and value add manufacturing.
- Infrastructure improvements: Transport, distribution, energy and technology.
- Employment growth: High-value new jobs, wealth effect and population growth.
- Environment: Live and work, tourism and amenities, universities, cathedral cities, dominant retail and leisure.

Business plan-led approach

Our starting point is our annual fund strategy statement which defines our activities over the coming three to five years and identifies key objectives at both fund and asset level. Our aim is to deliver incremental outperformance year-on-year.

We aim to generate the majority of the target outperformance through good stock selection and active asset management.

Each asset is managed in accordance with its individual business plan. The business plan is the focal point for identifying and implementing the active management strategies that will maximise returns.

Performance Summary

Property performance	30 September 2022	30 September 2021
Value of property assets[1]	€218.7m	€201.1m
Annualised rental income[1]	€15.3m	€14.3m
Estimated market rental value[1]	€14.7m	€13.8m
Underlying portfolio total return in the reporting period[5]	6.9%	6.6%
Underlying portfolio income return in the reporting period[5]	4.1%	4.9%

Financial summary	30 September 2022	30 September 2021
NAV	€188.2m	€199.5m
NAV per ordinary share (euro)	140.8c	149.2c
NAV total return (euro)	7.3%	3.2%
IFRS profit after tax	€13.9m	€6.2m
EPRA earnings[5]	€6.1m	€6.6m
Dividend cover	61%	69%

Capital values[2]	30 September 2022	30 September 2021
Share price	88.0 pps/ZAR 17.85	104.0 pps/ZAR 21.8
NAV per share	123.5 pps/ZAR 24.92	128.2 pps/ZAR 25.9

Earnings and dividends[3]	30 September 2022	30 September 2021
IFRS earnings per share	10.4 cps	4.7 cps
EPRA earnings per share[5]	4.5 cps	4.9 cps
Headline earnings per share[5]	4.5 cps	4.9 cps
Ordinary dividends declared per share	7.4 cps	7.1 cps
Special dividends declared per share	4.85 cps	4.75 cps

Bank borrowings	30 September 2022	30 September 2021
External bank debt (excluding costs)	€80.7m	€80.7m
Loan to value ratio based on GAV net of cash/gross of cash	20%/29%	16%/28%

Ongoing charges[4]	30 September 2022	30 September 2021
Ongoing charges (fund operating expenses only)	2.23%	2.12%
Ongoing charges (fund and property operating expenses)	3.12%	2.54%

1 Excludes the Seville property for which the NAV exposure is nil.
2 Pps refers to pence per share.
3 Cps refers to euro cents per share.
4 Ongoing charges are Alternative Performance Measures ('APM's) calculated in accordance with the AIC recommended methodology as a percentage of the average NAV over a given period. For a definition of this Alternative Performance Measure refer to page 95.
5 These are Alternative Performance Measures ('APMs'). EPRA and Headline earnings are reconciled to IFRS earnings on pages 77 and 78.

Rent collection update[1]

As at 30 September 2022	Office 2022	Office 2021	Industrial 2022	Industrial 2021	Retail 2022	Retail 2021	Mixed 2022	Mixed 2021	Total portfolio 2022	Total portfolio 2021
Paid	100.0%	99.9%	100.0%	96.6%	100.0%	99.8%	100.0%	100.0%	100.0%	99.0%
Deferred	0.0%	0.0%	0.0%	3.3%	0.0%	0.2%	0.0%	0.0%	0.0%	0.9%
Renegotiated/Outstanding	0.0%	0.1%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

1 Rent collection table excludes the Seville property for which the NAV exposure is nil. 2021 refers to the SEREIT 2021 full year period between Q4 2020 to Q3 2021. 2022 refers to the SEREIT 2022 full year period between Q4 2021 and Q3 2022.

At a glance
Portfolio Overview

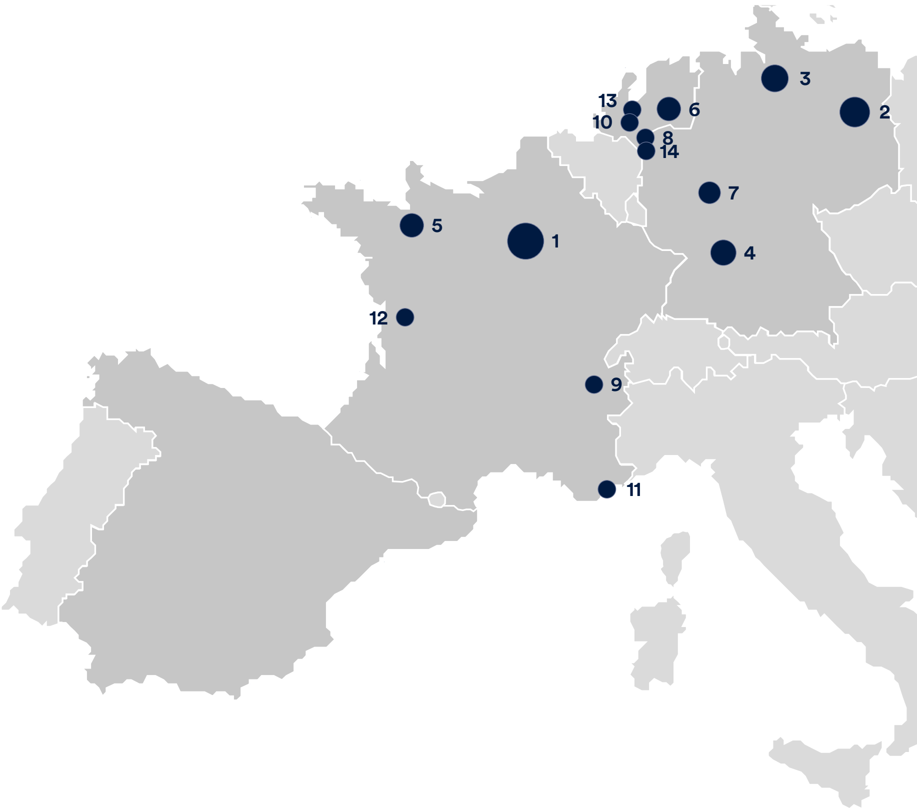
The Company owns a diversified portfolio of commercial real estate in Continental Europe with favourable property fundamentals. The Company has targeted assets located in Winning Cities and Regions and in high growth sectors. Winning Cities and Regions are those that are expected to generate higher and more sustainable levels of economic growth, underpinned by themes such as urbanisation, demographics, technology and infrastructure improvements.

Number of properties[1]
14

Portfolio value[1,2]
€248.1m

Number of tenants[1]
44

Occupancy[1]
96%



Top ten properties

	Property	Sector	Value (€m / % portfolio incl. cash)[1,2]
1	France, Paris (Saint-Cloud)	Office	€40.1m / 16%
2	Germany, Berlin	Retail/DIY	€31.1m / 13%
3	Germany, Hamburg	Office	€25.4m / 10%
4	Germany, Stuttgart	Office	€21.9m / 9%
5	France, Rennes	Industrial	€21.4m / 9%
6	Netherlands, Apeldoorn	Mixed-use	€16.6m / 7%
7	Germany, Frankfurt	Retail/Grocery	€11.7m / 5%
8	Netherlands, Venray	Industrial	€11.5m / 5%
9	France, Rumilly	Industrial	€10.6m / 4%
10	Netherlands, Houten	Industrial	€8.8m / 4%

Remaining four properties shown on the map are:
11 France, Cannes/Car showroom
12 France, Nantes/Industrial
13 Netherlands, Utrecht/Industrial
14 Netherlands, Venray II/Industrial

Sector allocation

Sector	Weighting[1,2]
Office	35%
Industrial	26%
Retail	20%
Mixed/Data Centre	7%
Cash	12%

1 Excludes the Seville property for which the NAV exposure is nil.
2 Includes available cash of €29.4 million (internally calculated).

Sectors[1,2]

Office

35% (2021: 33%)

The Company focuses on sub-markets that are: supply constrained; benefiting from competing demands for uses; and where rents are modest and sustainable. Our office exposure is in the established sub-markets of Paris, Hamburg and Stuttgart, where vacancy rates are modest, providing for above-average rental growth.

Industrial warehousing

26% (2021: 22%)

The Company's investments comprise both logistics and industrial warehousing, leased to a variety of tenants in manufacturing, services and third-party logistics. All assets are in established warehouse locations such as Venray, Houten and Utrecht in the Netherlands and Rumilly, Nantes and Rennes in France which benefit from supply constraints and rental growth prospects.

Retail

21% (2021: 21%)

The Company's retail exposure consists of three urban retail assets located in the following growth cities: Berlin, Frankfurt and Cannes. The focus is on assets in the grocery and DIY sectors with alternate use upside. All assets are in strong residential growth areas, with our largest exposure (Berlin) comprising four hectares of land with multiple alternative use potential.

Mixed

7% (2021: 7%)

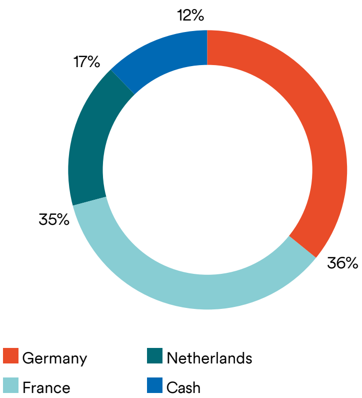
The Company owns a mixed-use data centre and office building located in Apeldoorn, one hour from Amsterdam. The asset provides stable income from a long-term lease let to a strong covenant and options to redevelop for an alternative use.

Cash

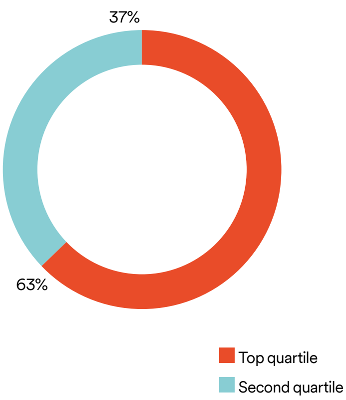
12% (2021: 16%)

1 Excludes the Seville property for which the NAV exposure is nil.
2 Includes available cash of €29.4 million (internally calculated).

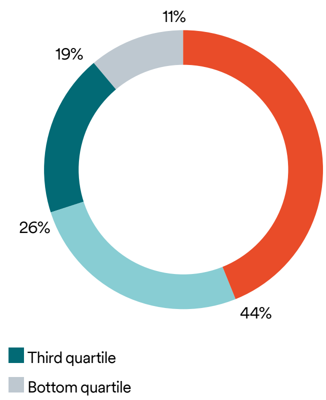
Portfolio country allocation[1,2]



% SEREIT capital value



% Investment universe capital value



Chairman's Statement

Sir Julian Berney Bt.
Chairman

DIVERSIFYING ***THE PORTFOLIO***

Company well positioned to deal with current headwinds given its diversified portfolio in growth cities, local multi sector management expertise and strong balance sheet

Overview

For the year ended 30 September 2022, Schroder European Real Estate Investment Trust Plc ('SEREIT', or 'the Company'), has delivered a robust set of results, driven by the portfolio's resilience, diversification characteristics and execution of active management initiatives by Schroders Capital Real Estate ('the Investment Manager'). Despite current headwinds, the portfolio in Continental Europe's winning cities was valued at €218.7 million. In addition, the Company has substantial cash reserves of approximately €29 million, providing significant flexibility and additional investment capacity. The net asset value ('NAV') at the end of the financial year was €188.2 million or 140.8 euro cents per share (124.0 pence per share).

During the period the portfolio was enhanced by the acquisitions of a car showroom in Cannes, France for €8.4 million and an industrial warehouse in Venray, the Netherlands for €1.7 million. The portfolio now comprises 14 investments across three Western European countries in leading cities including Paris, Berlin, Frankfurt, Hamburg and Stuttgart. In addition, the industrial exposure has increased to 26%, with a focus on supply constrained sub-markets in France and the Netherlands. Most of the retail exposure is in grocery and DIY, both segments have benefited from strong underlying fundamentals, underpinning robust performance.

The Board is pleased with the resilience of the portfolio, its sector and winning city allocations and the Investment Manager's ability to deliver on its asset management programme. The success of Paris Boulogne-Billancourt ('Paris BB') is testament to the strategy of acquiring good real estate in accessible locations and using in-house local active management expertise to create value. This skill will be increasingly valuable and pertinent to delivering the target returns which we are well positioned to deliver.

The quarterly dividend was maintained at the pre-pandemic level (of 1.85 euro cps) and as a result of the exceptional asset management profits from the Paris BB repositioning, special dividends totalling €12.8 million (9.6 euro cps) were paid during the period. This, together with the capital growth in the portfolio, resulted in a favourable NAV total return for the financial year of 7.3%.

We have today announced the continuation of the 1.85 euro cps quarterly dividend.

There remains around €1.2 million of profit to be released from the Paris BB sale and reflected in the NAV; expectations are that this will be released over 2022 and 2023.

The Company has remaining investment capacity of circa €50 million (including €25 million of debt) and this will be invested in a conservative manner to further diversify the portfolio, taking into account debt refinancings during 2023 and the expectation for better investment opportunities over the next six to 12 months.

Unlike in the UK, one benefit of European real estate exposure is that the leases tend to have a form of inflation-linked indexation. 80% of the Company's income is subject to annual indexation with the remaining 20% linked to a hurdle (typically 10%), offering an attractive hedge in the current environment as we expect underlying income to directly benefit from inflation.

The Company's continued focus on sustainability during the period has delivered an improved GRESB rating to 4 stars, ranking second in the peer group. We continue to review green certifications as there is a growing consensus that there is a meaningful rental and value premium for more sustainable buildings as occupiers re-evaluate their space requirements.

We are operating in a challenging environment. The speed and force of inflationary concerns, devastating war in Ukraine, general uncertainty and volatility has been a shock to markets. Values across the portfolio have held up well, although we saw some softening in the second half of the year; recent bond yield rises and recession concerns are likely to put further pressure on these. The Company expects the portfolio's diversification, income profile, indexation characteristics and high growth locations will help mitigate this pressure. Looking forward, the expectation is that rental affordability and the Manager's local multi-sector expertise will be increasingly important to retain occupiers, grow rental income and deliver shareholder value.

Strategy

The strategy over the period centred on active asset management and capital investment; in particular, the success of the Paris BB refurbishment and sale, the improvement of the income profile, the extension of the average lease term and the implementation of sustainability initiatives to improve the quality of the portfolio. A key benefit of the strategy is the concentration of assets in highly accessible locations, with competing demands for uses and leased off affordable rents. Given the current pressures facing occupiers, particularly around inflation, labour and operating costs, we expect affordability to be an increasingly key factor in tenants' occupational decisions. In addition, modest rents allow for the ability to feasibly reposition investments, improving sustainability and certification. This is the strategy successfully deployed in Paris BB, where we have delivered a Grade A, BREEAM-rated building of institutional quality. As a result, this has led to increasing the rent by circa 40%, regearing the lease on a long-term basis and enabling us to crystallise €28 million of pre-tax profit.

The Company concluded 14 leasing transactions during the period, at an average WAULT of 6.1 years, reducing the portfolio vacancy to 4%. The Investment Manager is working on several asset management initiatives including the leasing of vacant space in Saint-Cloud, Paris, tenancy remixing in Frankfurt and improvement of ESG credentials across the portfolio to further strengthen sustainability ratings and meet the demands of the modern occupier.

Following the sale of Paris BB, we are reviewing suitable investment opportunities to improve diversification and replace the lost income, moving the dividend cover back to 100%. Over the last 12-18 months, the Investment Manager has seen little value on a risk adjusted basis, making a clear decision to be patient. With markets now softening and debt becoming more expensive and less available for some, we expect to see more suitable investment opportunities. Having equity and operating in markets where we have local and proven expertise, puts us in a strong position to successfully borrow, underwrite investments, implement business plans and provide execution certainty to vendors.

Financial results

The NAV total return was 7.3% over the year based on an IFRS profit of €13.9 million. Returns were driven primarily by an increase in the valuation of our industrial and DIY investments, together with the German office portfolio. In addition, €1.9 million of the Paris BB development post-tax profit was released following the refurbishment handover during June 2022. There remains approximately €1.2 million of profit from Paris BB; this will flow through the NAV over the remainder of 2022 and 2023. Underlying EPRA earnings were €6.1 million, compared to €6.6 million in 2021. Earnings will further increase with the redeployment of the Paris BB sale proceeds, and the portfolio's indexation. The Company's NAV as at 30 September 2022 decreased by €11.3 million, to €188.2 million, or 140.8 euro cents per share, driven by the payment of €12.8 million in special dividends.

Balance sheet and debt

Third-party debt totalled €80.7 million, representing a loan to value ('LTV') net of cash of 20% against the overall gross asset value of the Company. This compares to a net LTV cap of 35%. The Company has seven loans secured against individual assets or groups of assets, with no cross-collateralisation between loans. The current average weighted total interest rate of the loans is 1.9% per annum. The weighted average duration of the loans is 1.9 years, with the earliest loan maturity in April 2023. All loans except Seville comply with their default covenants. The Seville loan remains in cash trap and is being managed under an LTV covenant waiver to facilitate a sale.

Approximately €27 million, or 33%, of the Company's debt is expiring during 2023. We are having positive discussions with lenders regarding regearing, particularly given the quality, low LTV and the Investment Managers reputation and expertise. Five-year swap rates have dramatically increased over the period, from zero in Q3 2021 to around 280 basis points at the time of writing. More detail of the individual loans is provided in the Investment Manager's Report. The Company has circa €30 million of cash, which provides significant flexibility to further bolster the balance sheet.

Dividends

Despite the deteriorating economic and geopolitical conditions, the Board has elected to continue with the 1.85 euro cps quarterly dividend. However, it will continue to review this position taking into account the level of tenant occupation, rent collection, refinancing and dividend cover. Dividend cover has improved over the last three quarters partly due to the additional investments in Cannes and Venray and is at around 70%. As announced previously, it is expected that dividends from net income will remain uncovered whilst the proceeds from the sale of Paris BB are reinvested. The Board expects to allocate some of the net sale proceeds towards covering the shortfall in income, pending the reinvestment of the remainder. Total quarterly dividends declared relating to the year are 7.4 euro cps, with a dividend cover for the year of 61%. Including the special dividends, total dividends paid increased 195% to €25.2 million (18.8 euro cps) versus the previous financial year.

Share price

The shares continue to trade at a discount, which as at 28 November 2022 reflected a circa 35% discount to the 30 September 2022 NAV. The Board and the Investment Manager remain frustrated in the share price performance, particularly given the differentiated strategy, strength of the underlying real estate, attractive dividend, local management expertise, strong balance sheet and cash reserves. Annualising the quarterly dividend of 1.85 euro cps (to 7.4 euro cents per annum) provides an attractive circa 8.0% dividend yield based on current share price. The Board will continue to review the discount, and at its discretion to execute a share buyback programme, as well as new acquisitions consistent with the current strategy.

Sustainability

The Board and Manager believe that focusing on sustainability, and Environmental, Social and Governance ('ESG') considerations, will deliver enhanced long-term returns for shareholders and have a positive impact on the environment and local communities in which the Company invests. We are pleased with the progress that has been made to improve the portfolio's sustainability credentials over the period. Asset management initiatives, which centred on capital investment, asset BREEAM certifications and tenant and community engagement, have resulted in an improvement in the portfolios GRESB rating to 4 stars. The Manager has identified further opportunities to improve sustainability and ESG, with aspirations to achieve a 5 star GRESB rating. In addition, we have commenced asset by asset reviews in relation to net zero carbon pathways which will allow us to make more informed decisions around operation, financial and hold sell analysis.

Outlook

We are well aware of the ongoing challenges facing global markets but real estate continues to remain attractive relative to other asset classes. By having real asset exposure that is diversified and indexed linked in strong, liquid cities like Berlin, Hamburg, Stuttgart and Paris, the Company is well positioned to deliver on its strategy longer term. In addition, it is managed by a highly competent Investment Manager with local multi-sector expertise, providing additional comfort to deal with risks. The Company's balance sheet is considered robust and the existing cash position provides flexibility to strengthen the strategy, either from accessing new investments, share buybacks or further de-levering. We expect returns to soften from that achieved in the last years and that over the short term, income will become an increasingly key part of shareholder returns. We are confident in the portfolio and management to steer through current challenges, seeking opportunities to enhance earnings in this ever-changing market.

Sir Julian Berney Bt.
Chairman

5 December 2022

Investment Manager's Report

Jeff O'Dwyer
Fund Manager
Schroder Real Estate Investment Management Limited

Results

The net asset value ('NAV') as at 30 September 2022 stood at €188.2 million (£165.1 million), or 140.8 euro cents (123.5 pence per share), resulting in a NAV total return of 7.3% over 12 months to 30 September 2022.

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 euro cents per share.

NAV movement	€m[1]	cps[2]	% change per cps[3]
Brought forward as at 1 October 2021	**199.5**	**149.2**	
Unrealised gain in the valuation of the real estate portfolio	7.6	5.7	3.8
Capital expenditure	(0.4)	(0.3)	(0.2)
Transaction costs	(1.1)	(0.8)	(0.5)
Boulogne-Billancourt, Paris post-tax development profit	1.9	1.4	0.9
Movement on the Seville JV investment	0.0	0.0	0.0
EPRA earnings[4]	6.1	4.5	3.1
Non-cash/capital items	(0.2)	(0.1)	(0.1)
Dividends paid	(25.2)	(18.8)	(12.6)
Carried forward as at 30 September 2022	188.2	**140.8**	**(5.6)**

1 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 the Seville joint venture on a line-by-line basis.
2 Based on 133,734,686 shares.
3 Percentage change based on the starting NAV as at 1 October 2021.
4 EPRA earnings as reconciled on page 77 of the financial statements.

Strategy

The Company aims to provide shareholders with an attractive level of income with the potential for income and capital growth through investing in commercial real estate in Continental Europe. The strategy to deliver this includes:

- Maximising shareholder value through active asset management;
- Improving the defensive qualities of the portfolio in light of changing social, economic and geopolitical risks;
- Applying a research-led approach to determine attractive sectors and locations in which to invest in commercial real estate;
- Increasing exposure to higher growth Winning Cities and Regions;
- Actively managing the Company and its assets, drawing on the expertise of our sector specialists to maximise shareholder returns and evolve the Company's active asset management approach that is focused on operational excellence;
- Reinvesting Paris BB disposal proceeds to improve diversification and move dividend cover back to 100%;
- Applying our integrated sustainability and Environmental, Social and Governance ('ESG') approach at all stages of the investment process and asset life cycle; and
- Managing the Company prudently and efficiently by controlling costs and maintaining a strong balance sheet.

Progress was made in executing the strategy and activity over the period, which has delivered:

- Dividend payments to shareholders totalling 18.85 euro cps which includes 9.6 euro cps in special dividends associated with the exceptional profit from the Paris BB refurbishment, regear and sale;
- 100% of the portfolio continues to be located in higher-growth cities including Berlin, Hamburg, Stuttgart, Frankfurt and Paris;
- High levels of positive tenant engagement and implementation, resulting in 100% rent collection over the period, excluding Seville;
- Disciplined acquisition activity: a €8.4 million car showroom in Cannes, reflecting a net initial yield of 5.5%, reversionary yield of 6.4% and with longer term scope for alternate use, and a €1.7 million industrial warehouse in Venray, the Netherlands, reflecting a net initial yield of 5.3% and reversionary yield of 7.6%;
- Maintained a high occupancy level of 96%, with an average portfolio to lease term to break of 4.4 years;
- Concluded 14 new leases and regears events across the portfolio at a weighted unexpired lease term of 6.1 years;
- Improved the portfolio's environmental characteristics, which included BREEAM certifications for the Company's Frankfurt and Venray investments;
- Enhanced ESG performance across the portfolio including an improvement in the 2021 Global Real Estate Sustainability Benchmark ('GRESB') score from three stars to four, ranking the portfolio second amongst its peer group;
- Continuation of individual asset net zero pathway analysis;
- Maintained a prudent gearing approach with a loan to value ('LTV') of 29% and 20% net of cash, comfortably below the target of 35%. Positive discussions with lenders regarding loans expiring during 2023.

Macro impacts

- We are operating against an unprecedented backdrop. The pricing of real estate and risk during the latter part of 2021 was biased towards the underwriting of ESG and Covid-19 impacts. Today, these risks remain but have been somewhat overshadowed by recessionary concerns, inflation, cost and availability of debt and the Ukrainian crisis.
- Consensus forecast is for eurozone GDP to fall over the next nine months with minimal growth over 2024/25. In addition, the latest consensus forecast (October 2022) now expects eurozone inflation (HICP) of 8.3% over 2022, 5.8% in 2023 and a return to a more manageable level of circa 2% for the medium term thereafter. A benefit of European leases is the inflationary hedge characteristics as a result of rental indexation being linked to annual movements in the consumer price index (CPI). The risk moves more to underlying occupiers capacity to pay and solvency. The diversified nature and strength of underlying tenants, coupled with the fact that our assets are typically leased off affordable and sustainable rents, gives us confidence in managing such risks.
- We continue to monitor the Ukraine crisis. We have no exposure to Eastern Europe or Russia. We continue to manage the portfolio in the best interests of all shareholders, ensuring that all international sanctions are adhered to. The Group's key suppliers do not have operations in Ukraine or Russia and we are not seeing any adverse impact from the war on our ability to manage the operations of the Group.
- Although Covid-19 risks are abating, they remain present and monitored. We continue to work with tenants to facilitate their growth out of Covid-19 whilst also protecting shareholders' long-term interests. Structural changes as a result of the pandemic continue to shape the industry. From an office perspective, occupiers are looking to improve the quality of their office space in order to attract staff and deliver on corporate objectives linked to wellbeing and sustainability. At the same time e-commerce is changing consumerism and having a direct impact on physical retail (negative) and logistics (positive). In addition, disruption to production and trade as a result of geopolitics, sustainability, weather, energy costs and labour shortages are necessitating a move from 'just in time' supply chain management to 'just in case', resulting in more demand for warehouse space domestically.
- Central banks have rapidly moved to curtail inflation via the increasing of interest rates. Five-year euro swap rates have been volatile, moving from negative territory 12 months ago to circa 260 basis points in recent times. In addition, lenders are reassessing margins, LTVs, covenants and the quality of the counterparty they wish to lend to. Being a modestly levered Group, managed by an investment management specialist with local multi-sector expertise puts the Company in a strong position to refinance.

Market overview

Economic outlook

The combination of high inflation, an energy crisis and rising interest rates is likely to tip the eurozone into recession. Real household incomes are falling as wages lag behind inflation at 10% and the rise in interest rates and uncertainty about energy supplies has dented business confidence. In addition, the rise in government spending to help consumers with their energy bills following already high spending during Covid raises concerns about debt/GDP ratios, given the increase in debt servicing costs. Schroders forecasts that eurozone GDP will fall by 1% over the next nine months, before recovering in the second half of 2023 as inflation slows to 5%. Despite the weakness of the economy, we expect that the ECB will raise the refinance rate to 3% by end-2023, as it wrestles inflation back towards its 2% target.

Interest rates and real estate yields

The sharp increase in interest rates has led to a rapid cooling in investment markets. In Germany the total cost of hedged bank debt on good quality assets has risen from 1.5% at the start of the year to 4% and other countries have seen a parallel increase in finance costs from a higher starting point. As a result, a lot of debt-backed buyers have been priced out of the market and many institutions have put purchases on hold, as the premium over bond yields has shrunk and while markets have entered a phase of price-finding. The total value of investment deals in the eurozone in the third quarter of 2022 was 30% lower than in the first quarter and all sectors saw an increase in prime yields of 0.3-0.6% between March and October. Given the uncertainty over interest rates (and with further hikes likely) it is difficult to know how much further real estate yields will rise before they find a new equilibrium. Assuming government bond yields settle at current levels (German 10-year bund yields are currently at 2.25%), the expectation is that prime real estate yields will increase by a further 0.5-0.75% between September and June 2023. That would restore the gap between real estate and bond yields to around its long-term average. While high inflation and index-linked leases will help to offset some of the negative impact of rising yields, it is nevertheless expected that prime capital values will fall by 15-20% between mid-2022 and end-2023. Secondary assets are likely to see a similar decline in capital values, given they are more vulnerable than prime assets to an increase in vacancy and fall in income and as investors become more risk averse and push out the spread between prime and secondary yields.

Offices

Despite the deteriorating outlook, office leasing activity has remained robust; Q3 volumes were only slightly down on the previous quarter. Take-up in major European markets was down 10%, but up 5% compared to the same quarter last year. And in a historic context, volumes this quarter fell 15% on the five-year average quarterly volume, but just 5% on the 10 year quarterly average (excluding 2020 and 2021).

Despite the drop in business sentiment and cost pressures from inflation, occupiers continue to commit to high quality space to execute their new workspace strategies, retain their staff and improve their corporate ESG-credentials. However, going forward, it seems inevitable that given the shift in the outlook, activity will be more muted. On the supply side, Q3 saw further completions of office space. However, office vacancy remained nearly unchanged on aggregate over the quarter. However, vacancy remains highly polarised, with modern space scarce and being absorbed quickly, while overall vacancy now increasingly consists of older, second-hand space that has been released back into the markets. While new completions are expected to only peak in 2023, the rise in constructions costs and the jump in finance cost have further reduced the pipeline for the years thereafter. This scarcity of modern space is likely to further support prime office rents, which saw further increases over the quarter in a number of markets, albeit somewhat more selective. At the same time, the pressure on secondary space continues to increase.

Retail

Retail sales are starting to reflect the squeeze on incomes. After a strong post-lockdown rebound in 2021, eurozone retail sales have fallen in volume terms since June 2022, although they have continued to grow in cash terms due to inflation. Food retail is likely to be the most stable sector, particularly convenience and discount stores, which are forecast to win further market share from hypermarkets. By contrast, shopping centres which have a high exposure to fashion, leisure and restaurants are likely to be hit hard by the drop in discretionary spending. In addition, high service charges are impacting profitability. As such, we expect that prime shopping centre rents will fall by 6-8% in most cities between end-2021 and end-2023. Shop rents are likely to fall in parallel, although in the longer-term we believe that shop rents in tourist destinations (e.g. Barcelona, Paris) should recover, as tourism returns to pre-Covid levels.

Logistics/industrial

Logistics warehouses in the eurozone have continued to see strong occupier demand in 2022. Although interest from online retailers has cooled, as the growth in e-commerce has slowed since the pandemic, demand from traditional retailers (e.g. Carrefour, Lidl, REWE) and manufacturers (e.g. Mercedes, Tesla) has increased. In part, this is due to companies ensuring their supply chains are more resilient by holding more stock and further adjusting to faster delivery modes. In parts it also reflects investment in modern stock to enhance the carbon footprint and increase automation. While these structural drivers will persist, the uncertain economic outlook means that demand is likely to weaken in the short-term. We expect prime logistics rental growth in the eurozone to slow from 4-5% p.a. to 2-3% p.a. in 2023. The record amount of new warehouse space under construction will also limit rental growth.

Investment Manager's Report
Continued

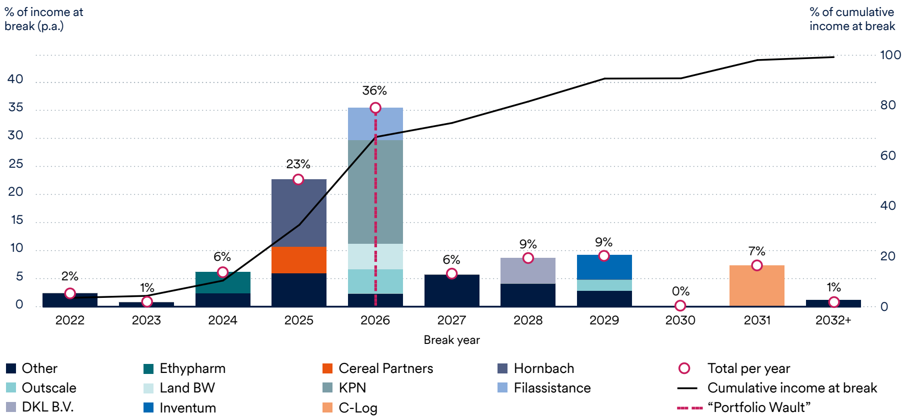
The table below sets out the portfolio's top ten tenants, which are from a diverse range of industry segments and represent 72% of the portfolio[1]:

Top Ten Tenants

Rank	Tenant	Industry	Property	Contracted rent €m	Contracted rent % of total[1]	WAULT break (yrs)	WAULT expiry (yrs)
1	KPN	Telecomme	Apeldoorn	2.8	19%	4.3	4.3
2	Hornbach	DIY	Berlin	1.8	12%	3.3	3.3
3	C-Log	Logistics	Rennes	1.1	7%	8.4	8.4
4	Outscale	IT	Paris (Saint-Cloud)	1.0	6%	4.5	7.5
5	Filassistance	Insurance	Paris (Saint-Cloud)	0.9	6%	4.3	4.3
6	Cereal Partners	Consumer staples	Rumilly	0.7	5%	2.6	3.6
7	LandBW	Government	Stuttgart	0.7	5%	3.8	3.8
8	DKL	Logistics	Venray	0.7	5%	6.0	6.0
9	Inventum	Manufacturing	Houten	0.7	4%	7.3	7.3
10	Ethypharm	Pharmaceuticals	Paris (Saint-Cloud)	0.6	4%	1.7	4.3
Total top ten tenants				**11.0**	**72%**	**4.6**	**5.0**
Remaining tenants				4.3	28%	4.2	4.5
Total				**15.3**	**100%**	**4.4**	**4.9**

1 Excludes Seville property for which NAV exposure is nil.

Lease Expiry Chart



The top ten tenants have paid 100% of their rent over the 12 month period. The portfolio generates €15.3 million p.a. in contracted income. The average unexpired lease term is 4.4 years to first break and 4.9 years to expiry.

The lease expiry profile to earliest break is shown above. 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 the income profile and NAV total return.

Transactions

A key target of the Company is to redeploy the remaining investment capacity, totalling circa €50 million (including debt) in line with the stated objective of targeting income-producing commercial real estate in Winning Cities and Regions in Continental Europe. This will not only improve diversification but also improve the dividend cover. We continue to screen a wide range of acquisition opportunities. We will continue to be patient in deploying capital and believe that recent market volatility will create more opportunities.

During the period, the Company completed two acquisitions in line with the targeted investment objective:

- Cannes, France: a freehold car showroom for €8.4 million, equating to €1,983 per sqm and a net initial yield of 5.5% with reversion to 6.4% and longer-term alternate use upside. The weighted unexpired lease term was approximately three years.
- Venray II, the Netherlands: a freehold industrial warehouse for €1.7 million, equating to €440 per sqm and a net initial yield of 5.3% with reversion to 7.6%. The weighted unexpired lease term was approximately eight years. The investment adjoins the existing Venray investment acquired in August 2018.

Both investments further diversify the portfolio by sub-sector and markets, and contribute to replacing the lost income from Paris BB.

We continue to manage the Seville investment and work with the lender regarding a view to a disposal.

Portfolio performance

During the period, the underlying property portfolio generated a total property return of 6.9%. The portfolio income return was 4.1% and the portfolio capital return was 2.8% net of capital expenditure.

The strongest contributors to portfolio performance over the last 12 months were the industrial assets Rennes (+19%), Rumilly (+16%), Nantes (+13%), the DIY store in Berlin (+13%), and the office assets Hamburg (+11%) and Stuttgart (+10%).

- The industrial portfolio delivered an average 15% total return due to improved investment demand and yield rerating;
- The Berlin DIY property delivered a 13% total return due to the sector benefiting from the pandemic and improved investor demand;
- The Hamburg office property delivered a +11% total return driven by income growth and yield rerating;
- The Stuttgart office property delivered a +10% total return with the asset benefiting from rental growth as a result of tight supply; and
- Most of the strong positive performance impact from the Paris Boulogne-Billancourt lease regear and forward funded sale was taken into account in the previous year's financial returns.

The main detractor from portfolio performance was Seville with a -7% total property return. The negative return for the Seville property was a result of rent discounts, increased vacancy and weakening investor demand for shopping centres. However, from a fund performance perspective, Seville did not have any impact as the NAV exposure to this investment had already been fully written off since early 2021.

Over the last three years, the real estate portfolio delivered ungeared property returns of 9.7% p.a.

Finance

As at 30 September 2022, the Company's third party debt was €80.7 million, across seven loan facilities. This represents a loan to value ('LTV') net of cash of 20% against the Company's gross asset value (gross of cash LTV is 29%). Cash levels are high, as the Company has received almost 90% from the agreed sale price of Paris Boulogne-Billancourt. There is a net of cash LTV cap of 35% that restricts concluding new external loans if the Company's net LTV is above 35%. An increase in leverage above 35% as a result of valuation decline is excluded from this cap. The current blended all-in interest rate is 1.9% and the average remaining loan term is 1.9 years.

The individual loans are detailed in the table below. Each loan is held at the property-owning level instead of the group level and is secured by the individual properties noted in the table. There is no cross-collateralisation between loans. Each loan has specific LTV and income default covenants. We detail the headroom against those covenants in the latter two columns of the table below.

Lender	Property	Maturity date	Outstanding principal	LTV	Interest rate	Headroom LTV default covenant (% decline)[4]	Headroom net income default covenant (% decline)
BRED Banque Populaire	Paris (Saint-Cloud)	15/12/2024	€17.00m	42%	3M Eur +1.34%	29%	27%
Deutsche Pfandbriefbank AG	Berlin/Frankfurt	30/06/2026	€16.50m	39%	1.31%	35%	43%
Deutsche Pfandbriefbank AG	Stuttgart/Hamburg	30/06/2023	€14.00m	30%	0.85%	46%	34%
Münchener Hypothekenbank eG	Seville (50%)[1]	22/05/2024	€11.68m	88%	1.76%	In breach[2]	In cash trap
HSBC Bank Plc	Netherlands industrials[3]	27/09/2023	€9.25m	40%	3M Eur +2.15%	37%	46%
Landesbank SAAR	Rennes	28/03/2024	€8.60m	40%	3M Eur +1.40%	24%	57%
Landesbank SAAR	Rumilly	30/04/2023	€3.70m	35%	3M Eur +1.30%	28%	84%
Total			**€80.73m**				

1 Includes the Company's 50% share of external debt in the Seville joint venture of €11.7 million and excludes unamortised finance costs.
2 Temporary waiver for breach of LTV covenant in Seville agreed with the lender.
3 The HSBC loan is secured against three Netherlands industrial assets: Venray, Houten, Utrecht.
4 Headroom against LTV default covenant is based on the lower JLL valuations and the banks' valuations

For the Seville shopping centre, a reduction in rental income has resulted in a requirement under the loan to retain all excess income generated by the Seville property in the property-owning special purpose vehicle. The Seville loan is being managed under an LTV covenant waiver to facilitate a sale. The loan is secured solely against the Seville investment, with no recourse back to the Company or any other entity within the Group.

The German and Spanish loans are fixed rate for the duration of the loan term. The French and Dutch loans are based on a margin above three-month Euribor. The Company has acquired interest rate caps to limit future potential interest costs if Euribor were to increase. The strike rates on the interest rate caps are between 0.25% p.a. and 1.25% p.a. There are three loans due to expire over 2023. We have commenced preliminary discussions with lenders and are confident in our ability to refinance at similar LTVs, albeit current swap rates would result in the overall cost of debt increasing. The Directors have examined significant areas of possible financial risk. This is discussed in more detail in note 1 of the consolidated financial statements.

Outlook

The economic outlook remains challenging with the eurozone facing a number of headwinds. The energy crisis, inflationary pressures, increasing interest costs and geopolitical risks are creating a drag on sentiment and recessionary concerns. We are alert to these risks and the combination of a clear strategy, a strong balance sheet, a diversified portfolio in Western Europe with a bias towards the strongest urban conurbations of Berlin, Frankfurt, Hamburg, Stuttgart and Paris provides confidence in navigating such risks.

Although values across the portfolio have been resilient to date, expectations are for values to come under pressure as yields adjust for risk. However, we do not expect Continental European property to face the same downward pressure as the UK. Looking forward the expectation is that the favourable rental indexation clauses, rental affordability and management's active and local multi-sector expertise will help mitigate value declines and assist in tenant retention. Total returns over the medium term are going to be led by income and the portfolio's high occupancy, attractive net initial yield (circa 6%) and unexpired lease term (circa 5 years) will underpin the maximising of shareholder returns.

Management will continue to be patient in its approach to deployment but expects to return dividend cover back to 100% by the end of 2023. The Company currently has circa €50 million of firepower to deploy (including €25 million of additional debt) and the Manager expects to see an improving pipeline of opportunities over the next six to 12 months that will enable it to further diversify and strengthen its exposure to growth cities, regions and sectors. We will continue to remain patient and any deployment will be assessed in light of economic volatility, balance sheet protection and ensuring the Company remains in a robust position.

Jeff O'Dwyer
Fund Manager
Schroder Real Estate Investment Management Limited

5 December 2022

Strategy in Action

BUSINESS PLAN-LED ***APPROACH***

Identifying and implementing active management strategies to maximise returns

Boulogne-Billancourt, Paris, France

Before refurbishment

Post refurbishment

1 Asset management initiative

- Repositioning of a freehold 7,500 sqm office building located in an established mixed-use sub-market in Paris's Southern Loop
- Transformational asset management initiative that endorses the Company's strategy to identify real estate where we create value through asset management
- Successful repositioning of an aging grade C office building into a Grade A, BREEAM-rated institutional office investment
- New 10 year lease with Alten at a circa 40% premium to the previous rent
- Planning approval for the addition of circa 600 sqm of lettable area
- Asset management initiative has been implemented during the pandemic, highlighting both occupier and investor demand for well-located, quality offices leased off sustainable rents
- In tandem with our commitment to refurbish we entered into a forward funding unconditional sale of the investment for €104 million (subject to cost and programme); derisking refurbishment funding and disposal value
- Concluded on cost and programme
- Pre tax profit of circa €28m resulting in special dividends of 9.6 euro cps returns to shareholders over 2021/22
- Success driven by strategy to target sub-markets that will benefit from supply constraints, competing demands for uses and assets that are accessible and leased off affordable rents

Paris BB property returns last three years

20% p.a.

Paris BB pre-tax development profit and special shareholder dividends

€28m/€9.6cps

WiredScore GOLD

BREEAM®

Rumilly, France

Houten, Netherlands

2 Asset management initiative

- A freehold 9,149 sqm (80% warehouse, 20% office) industrial warehouse located within an established business park in Houten
- The asset benefits from excellent accessibility by car and public transport with close proximity to the A27 (north-south) and A12 (east-west) national motorways and 10km from Utrecht
- Modern facility on a site area of 12,100 sqm, clear height of 12m with 120 parking spaces and two loading docks
- The tenant, Inventum, is a ventilation, boiler systems and water heating specialist with a 110+ year history
- New 7.5 year lease signed with Inventum in exchange for a €1.5 million landlord investment to improve the asset quality including an upgraded HVAC system, LED lighting and solar panels
- The upgrade will also meet upcoming HVAC building certification requirements
- Works to be undertaken in Q4 2022, following which a BREEAM assessment will be undertaken in Q1 2023
- The energy label for the office space is A which already meets the minimum expected requirement for the Netherlands in 2030
- In addition to extending the unexpired lease term, value has increased to €8.8 million from an initial purchase price of €7.2 million in 2018

Houten property returns last three years

11% p.a.

Houten uplift against purchase price

€1.6m/+22%

Environmental, Social and Governance


Apeldoorn, Netherlands

3 ESG initiatives

GRESB
- Improved GRESB rating to 4 stars in 2022 from the prior year of 3 stars
- Aspiration to improve to 5 star rating as sustainability measures are further implemented across the portfolio

BREEAM
- Achieved BREEAM In-Use certification for Frankfurt and Venray, bringing the total portfolio coverage to five assets
- Look to undertake BREEAM assessments for Stuttgart and Houten

Environmental
- In Q4 2022 the asset in Apeldoorn was awarded a renewed EPC rating of C (previously E) as a result of the measures undertaken since acquisition including a BMS upgrade and LED lighting
- Completion of the HVAC and BMS at Venray II, replacement of lighting towards LED at Venray, Rumilly and Utrecht and installation of smart meters in Stuttgart, Rumilly and Hamburg
- Improved data collection of electricity and gas consumption at Utrecht both by coverage and accuracy
- Continued procurement of 100% green electricity tariffs across the German sub-portfolio
- Viability assessments of renewable energy undertaken over the year across the French and Dutch sub-portfolios

Social
- Ongoing community engagement across the portfolio including sponsoring the local football and sailing clubs at Rennes, facilitating a discreet accessible point ('Punto Violeta') at Metromar to provide advice and support to fight against sexist violence within the community and working with local charities for social integration at Rumilly
- Across the German sub-portfolio, the Manager has also ensured, where possible, local contractors are used which sustains employment in local communities

Governance
- Strong focus on sustainability throughout the investment process including acquisitions, annual fund strategy and asset business plans
- Building upon a strong landlord-tenant relationship through green lease clauses in all new leases, ESG newsletters and educating occupiers on low cost environmental initiatives via the SREIM Sustainable Occupier Guide

GRESB 2022

Sustainability Report

SUSTAINABILITY ***AND RESPONSIBLE INVESTMENT***

The Board and Manager believe that consideration of Environmental, Social and Governance ('ESG') characteristics is key to the long-term success of the Company and that a successful sustainable investment programme should deliver enhanced returns to investors, improved business performance to tenants and tangible positive impacts to local communities, the environment and wider society.

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 wellbeing, and contribute to the prosperity of a location through building design and public realm.

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.

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.

The Manager's real estate investment strategy, which aims to proactively take action to improve social and environment outcomes, focuses on the pillars of People, Planet and Place which are referenced to three core UN Sustainable Development Goals (SDGs): (8) Decent work and Economic growth; (11) Sustainable cities and communities and; (13) Climate action.

To minimise risk and ensure resilience a good investment strategy must incorporate environmental, social and governance factors alongside traditional economic considerations. The Board and Manager believe a complete approach should be rewarded by improved investment decisions and performance.

A central focus of the Manager's real estate investment strategy is the response to the climate crisis both in terms of risk and resilience to climate impacts and also working to reduce the Company's Greenhouse Gas (GHG) emissions associated with its activities. As part of the Manager's commitment to achieving Net Zero Carbon by 2050 or sooner, aligned with a 1.5°C decarbonisation trajectory, work was undertaken during 2021 to baseline the Company's carbon performance and establish new energy and carbon targets in a net zero context which include interim milestones at 2025 and 2030. Further details can be found in the 'Net Zero Carbon' section on page 20.

Further information on the Manager's Sustainable Investment Real Estate with Impact approach and its Sustainability Policy: Real Estate with Impact can be found here: https://www.schroders.com/en/uk/realestate/products--services/sustainability/.

Environmental Management System

The Manager operates an Environmental Management System ('EMS') externally certified in accordance with ISO 14001 for the asset management of direct real estate investments in the UK and across Europe.

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.

The Manager reviews its Sustainability Policy annually and which is approved by the Investment Committee. Key aspects of the Policy and its objectives, and progress during the reporting year, as well as objectives and targets for the year ahead, are set out in the following pages.


Paris Boulogne-Billancourt, France, Pre-Refurbishment


Paris Boulogne-Billancourt, France, Post-Refurbishment

Objectives and Targets

Active management of sustainability performance is a key component of responsible asset and building management. Reducing consumption, improving operational efficiency and delivering higher quality, more sustainable spaces will benefit tenants' occupational costs and may support tenant retention and attraction, in addition to mitigating environmental impacts and helping to future-proof the portfolio against future legislation.

In support of improving the environmental and social characteristics of the portfolio, the Manager has continued to work with sustainability consultants EVORA Global and local third-party property managers to identify and deliver sustainability enhancements. The programme involves reviewing all managed assets held by the Company using the Manager's proprietary Impact and Sustainability Actions Plans and to identify and implement improvement initiatives, where viable.

For assets where the Company retains operational control ('Managed Assets'), the Manager monitors environmental performance on a quarterly basis. Please note, changes in occupancy and building operations during the Covid-19 period have had an impact on like-for-like performance and so the last two reporting years are not directly comparable.

For detailed sustainability performance data covering the 12 months to 31 March 2022 (the 'reporting period' as accepted under EPRA sustainability guidelines) and the prior year, please see the EPRA Sustainability Reporting Performance Measures on pages 79-89.

Energy and Greenhouse Gas Emissions

The Manager can report for the 12 months from 1 April 2021 to 31 March 2022, for the managed assets held by the Company, there was a 1% increase in landlord-procured energy consumption on a like-for-like basis. This energy consumption rise equates to a 7% increase in Scope 1 and Scope 2 GHG emissions on a like-for-like basis. This has been driven by an increase in consumption used for heating which can be in part explained by changes in occupancy in the context of Covid-19.

Energy performance improvement initiatives continued to be considered across the portfolio. Initiatives undertaken during the reporting year include replacement and upgrades to Heating, Ventilation and Air Conditioning ('HVAC') and Building Management Systems ('BMS'), continued utility smart meter roll-out for improved energy monitoring, as well as continued upgrades to lighting systems including installation of LEDs.

The Manager also has an objective to procure 100% renewable electricity for landlord-controlled supplies by 2025. At 31 March 2022, 91% of the Company's landlord electricity was procured using renewable tariffs.

As part of the Board and Manager's Net Zero Carbon commitments, during 2021 new energy and carbon targets were developed in a net zero context and pursuance of this objective forms a central part of the Company's sustainability strategy. Progress made by the Company will be reviewed during Q4 2022. Further details can be found in the 'Net Zero Carbon' section on page 20.

Water

Fresh water is a finite resource of increasing importance for the environment and society. Reductions in consumption can deliver operational cost efficiencies. The Manager monitors water consumption where the landlord has supply responsibilities and encourages active management of asset-level consumption. Where the Company had such responsibilities, compared to the previous year, a 29% increase in like-for-like water consumption is reported for the 12 months to 31 March 2022. Again this is understood to be due to an increase in occupancy compared to the previous year in the context of Covid-19.

Waste

Effective waste management decreases pollution and resource consumption, as well as improving operational efficiency and associated costs. To this end, waste should be minimised and disposal should be as sustainable as possible. The Manager therefore has set an objective to send zero waste directly to landfill and to achieve optimal recycling. For the year to 31 March 2022 the Company's total waste generation remained static (0% change) compared to the previous year on a like-for-like basis. During this most recent period zero waste was sent directly to landfill, 16% of waste was recycled and 84% was incinerated with energy recovery.

Improvements and Refurbishments

The Manager seeks to deliver developments and refurbishments to sustainable standards and deliver good performance against building certifications, including EPCs and BREEAM (the Building Research Establishment Environmental Assessment Methodology: an environmental assessment method and rating system for buildings). Standards required are set for each project in context for the asset and the Manager's guiding principles.

Green Building Certifications

Third-party green building certification helps us to better understand the sustainability performance of our portfolio's underlying assets. One such certification scheme is BREEAM In-Use: a performance-based assessment method for the certification of existing buildings. BREEAM In-Use helps assess operational performance against nine sustainability categories. The framework supports the overall sustainability programme for the Company with improvement actions integrated into the responsibilities of the Manager and property managers.

During the reporting period, the Manager commissioned two BREEAM In-Use assessments for the Company at Frankfurt and Venray, bringing the total number of certifications in the portfolio to five.

Sustainability Report
Continued

Health and Wellbeing
The real estate industry has a good appreciation of the importance of the built environment on human health and wellbeing. There has been considerable development in understanding on what building aspects matter as well as how certification schemes, including the Well Building and Fitwel Certifications, can support landlords and tenants to address these.

Property Manager Sustainability Requirements
Property managers play an integral role in supporting the sustainability programme. The Manager has established a set of Sustainability Requirements for property managers to adhere to in the course of delivering their property management services. This includes a set of key performance indicators ('KPIs') to help improve the property manager's sustainability-related services to the Company and which are assessed on a six-monthly and annual basis.

The Manager has continued to work with its Property Managers to deliver a high quality property management service for the benefit of occupiers and communities and to deliver investment performance.

Occupier and Community Engagement
The Manager seeks active engagement with occupiers 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 occupier engagement.

Over the year, the Manager has undertaken a number of community engagement initiatives across the portfolio. At Rennes this includes sponsoring the local football and sailing clubs. In addition, at Metromar the Manager hosted a breast cancer awareness workshop and facilitates a discreet accessible point (known as 'Punto Violeta') to provide advice and support to fight against sexist violence within the community. Across the German sub-portfolio, the Manager has also ensured, where possible, local contractors are used which sustains employment in local communities.

The Manager believes in the importance of understanding a building's relationship with the community and its contribution to the wellbeing 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 Manager looks to understand and develop the community relationship to ensure investments provide sustainable social solutions for the long term.

Compliance with Legislation
The Manager continues to monitor requirements and guidance in relation to managing and reporting environmental matters and developments in legislation at all stages of the investment life cycle – from acquisition, through ownership, to disposal. This process is supported by a legal register within the EMS, as well as through appropriate devolution of responsibility to key personnel involved in the day-to-day operation of buildings, including asset, property and facilities' managers.

Streamlined Energy and Carbon Reporting ('SECR')
An Energy and Carbon Report for the Company, aligned with the UK Streamlined Energy and Carbon Reporting regulations, is included on pages 90 to 92.

Industry Initiatives
EPRA Sustainability Reporting Measures
The Company Report includes environmental performance data for the portfolio. The disclosures are aligned with EPRA Best Practices Recommendations on Sustainability Reporting 2017, assured to Assurance Standard AA1000 by Evora Global.

Global Real Estate Sustainability Benchmark ('GRESB')
The Company has participated in GRESB, the leading global standard for assessing ESG performance for real estate funds and companies, for the past five years. In 2022 the Company achieved a 4-star status (out of 5 stars), improved its score to 83 (out of 100), came second in its peer group (out of six) and maintained its Green Star rating. The Company also achieved the top 'A' level in the GRESB Public Disclosure. The Manager intends to participate in the survey on behalf of the Company in 2023 with the aim of continual improvement.

United Nations Principles of Responsible Investment ('UNPRI')
Schroders plc became a signatory to the UNPRI on 29 October 2007, however we have been considering ESG and sustainable investment since 2000. After a delay in the UNPRI reporting cycle, we have now received our 2021 scores, reflecting our activity during 2020.

The 2021 reporting cycle introduced a new reporting and assessment framework. We have received scores of 4 stars for the Direct – Real Estate module in the new reporting structure; which ranges from 1-5 stars (5 being the top score).

Industry Participation

Schroders supports, and collaborates with, several industry groups, organisations and initiatives including the United Nations Global Compact and Net Zero Asset Managers Initiative (of which it is a founding member). Further details of Schroders' industry involvement are listed on pages 42 to 45 of Schroders 2021 Annual Sustainable Investment Report: https://publications.schroders.com/view/757464817/.

The Manager is a member of several 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.

Employee Policies and Corporate Responsibility

Employees

The Company is an externally managed real estate investment trust and has one part-time direct employee at 31 March 2022; the relevant date for this reporting period. The Manager is part 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 Manager's real estate team have sustainability within their annual objectives.

Further information on Schroders' principles in relation to people including diversity and inclusion, gender pay gap, values, employee satisfaction survey, wellbeing and retention can be found on the dedicated Schroders webpage here: https://www.schroders.com/en/working-here/our-people/.

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 about Schroder's corporate responsibility approach including its economic contribution, environmental impacts and community involvement, can be found here: https://www.schroders.com/en/sustainability/corporate-responsibility/.

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 Manager to the Company is part of Schroders plc and whose statement on Slavery and Human Trafficking has been published in accordance with the Modern Slavery Act 2015. Schroders' Slavery and Human Trafficking Statement can be found here: https://www.schroders.com/en/sustainability/corporate-responsibility/slavery-and-human-trafficking-statement/.

Net Zero Carbon

The Board and Manager recognise that the Company has a responsibility to embark on a journey to 'Net Zero Carbon'[1] and that an active approach to understanding and managing climate risks and opportunities is fundamental to delivering resilient investment returns and supporting the transition to a low carbon society.

In 2019 the Manager signed the Better Building Partnership's ('BBP') Climate Commitment and we have a net zero ambition aligned to the Paris Agreement aim to limit warming to 1.5°C. The net zero commitment addresses carbon emissions from all stages of a buildings' lifecycle including operation and maintenance (both landlord and tenant energy/emissions) as well as embodied carbon associated with refurbishment and development.

In 2021 the Manager worked to establish an operational Net Zero Carbon baseline and develop new operational energy and carbon targets for the Company. Due to the Covid-19 pandemic, the 2020 year is generally not considered representative of building performance and so a baseline year of 2019 has been used.

Through this first phase of analysis we have sought to determine whole building operational energy and carbon performance at assets where there is an internal energy supply procured by the fund. For buildings that are in scope, whole building energy has been taken into account. This means that at assets where the landlord procures only part of the buildings energy, the remaining footprint of the building (tenant procured energy) is also in scope despite limitations on our ability to reduce their energy use and carbon performance and so here occupier engagement will be critical to the success of our Net Zero Carbon ambitions. Assets in scope of the Company's baseline analysis represent 47% of the Company's portfolio by AuM[2]. With improved data coverage, it is expected that this could increase to 90% on a like-for-like basis.

Forward looking Net Zero Carbon pathways have been modelled using the industry accepted Carbon Risk Real Estate Monitor ('CRREM') and have formed the basis for our new asset and portfolio level operational energy and carbon targets. Net Zero Carbon pathways have been developed to present the decarbonisation requirements needed to achieve Net Zero Carbon by 2050 or sooner; aligned with a 'Paris Proof' decarbonisation trajectory to pursue efforts to limit global warming to 1.5°C and include interim milestones at 2025 and 2030.

New interim energy and carbon portfolio targets for the Company established for 2025 and 2030 using a 2019 baseline and set in a Net Zero Carbon context:

Target	% Reduction	Annualised Reduction
2025 Carbon Intensity	-20.8%	-2.8%
2030 Carbon Intensity	-40.1%	-4.6%
2025 Energy Intensity	-21.0%	-3.9%
2030 Energy Intensity	-33.7%	-3.7%

The pathway will evolve over time as the Manager, and the wider industry, develop their understanding of how to address the carbon impact of real estate activities, physical risks to locations and assets, and as regulatory initiatives develop. Over time we will seek to bring more assets into scope (such as those on FRI leases) of our operational net zero carbon pathway, as well as account for additional operational scope 3 emissions (such as those associated with water and waste). A key next step will be to also assess, manage and reduce our embodied carbon associated with developments and refurbishments. Although this activity in the portfolio has historically been limited, the Board and Manager recognise that works will be needed to improve building energy and carbon performance in order to reduce the risk of stranded assets.

1 'Net Zero Carbon' is when the carbon emissions emitted as a result of all activities associated with the development, ownership and servicing of a building are zero or negative.

2 Note: Assets under Management (AuM) as at 31 March 2022.

Task Force for Climate-related Financial Disclosure ('TCFD')

The Task Force on Climate-related Financial Disclosure ('TCFD') aims to mainstream reporting on climate-related risks and opportunities in organisations' annual financial filings. Launched in 2017, the TCFD recommendations have so far been a voluntary framework, however it became mandatory in the UK across a range of market participants on a phased timeline beginning in 2021.

The TCFD recommendations are structured around four themes: Governance, Strategy, Risk Management, and Metrics and Targets. Key concepts within the framework include:
- 'transition' risks: arising from society's transition to a low carbon economy (changing regulation and market expectations, new technologies etc); and
- 'physical' risks: relating to the acute (storms, floods and wildfires etc) and chronic (rising sea levels, increasing heat stress etc) physical effects of a changing climate.

Additional principles within TCFD include the importance of forward-looking assessment of climate-related risks and opportunities, and 'scenario analysis'. Scenario analysis is a process of identifying and assessing the potential implications of a range of plausible future states under conditions of uncertainty. The recommendations note that scenario analysis for climate-related issues is a relatively new concept and that practices will evolve over time.

During the reporting year the Manager has continued to review its policies and practices against TCFD criteria and developed a roadmap towards increased alignment. Building on our established consideration of sustainability within the investment process, Schroders believes it will be important to further integrate the assessment of climate-related risks and opportunities into decision-making and reporting processes. The outcome of our review and progress towards further alignment is set out below.

TCFD Recommendation	Approach
Governance	
Describe the Board's oversight of climate-related risks and opportunities.	The Board formally reviews the Manager's performance, including ESG related activity, at quarterly Board meetings. A more detailed review of the Manager's approach to ESG is carried out at the annual strategy review which includes but is not limited to (i) fund level sustainability performance measured by both the Manager and third parties such as the Global Real Estate Sustainability Benchmark ('GRESB'); (ii) asset level analysis; (iii) a review of the Manager's ESG policies and procedures; and (iv) presentations from sustainability specialists.
Describe management's role in assessing and managing climate-related risks and opportunities.	Climate change is an established component of our sustainability programme. Responsibility for assessment and management of climate-related risk and opportunity is delegated to key members of the Investment Management team, supported by regular reporting to the Investment Committee. Schroder's Head of Sustainability and Impact Investing recommends the Manager's annual Sustainability Policy and Objectives, which are reviewed and approved by the Investment Committee. The Manager incorporates climate-related considerations into key stages of the investment process, including acquisition proposals, annual Asset Business Plans and annual Fund Strategy Statements. Each of these steps of the investment process require approval by the Investment Committee. The Manager also prepares annual report and financial accounts for the Company, which include climate-related metrics and supports the Manager and Board's monitoring of performance and progress towards climate-related goals and targets.

Task Force for Climate-related Financial Disclosure ('TCFD')
Continued

TCFD Recommendation	Approach
Strategy	
Describe the climate-related risks and opportunities the Company has identified over the short, medium, and long term.	Our investment philosophy and process is underpinned by fundamental research and an analytical approach that considers economic, demographic and structural influences on the market. We are considering how climate change may impact on these factors over time, as well as how government policies may enable mitigation of and adaption to climate change. In the short term, energy and carbon emissions performance of our assets is a critical climate-related strategic issue. We recognise the need and opportunity presented by climate change to improve operational efficiency, maintenance costs and generate new income streams (e.g. on-site energy) and which all support asset values. These actions also support the Company with increasing investor expectations in relation to climate action and preparing portfolio assets for new and emerging energy efficiency regulations, increases in energy costs, carbon taxes, changing occupier preferences and valuation considerations. In the short, medium and longer term, the physical effects of changing climate also present potential material financial impacts to the Company, for example in relation to heating or cooling buildings in changing climates, weather events and availability of water.
Describe the impact of climate-related risks and opportunities on the Company's businesses, strategy, and financial planning.	The Manager's acquisition and asset business planning processes include consideration of climate-related issues, and will include forward-looking assessment of asset alignment to Paris Aligned energy and carbon performance benchmarks, where information permits. We are also reviewing our existing processes for screening acquisitions and standing investments for climate-related physical risks (e.g. flooding). Engaging tenants to collaborate to reduce building energy and carbon emissions is an increasingly important element of our sustainability and business strategy. We have green lease provisions within our standard lease agreement and have developed both a Schroders Sustainable Occupier Guide and Fit Out Guides for Tenants.
Describe the resilience of the Company's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Since 2016, assets of the Company have been included in the Manager's country-level energy consumption and carbon emission reduction targets for assets where landlord operational control is retained. In 2021, as part of the Manager's Net Zero Carbon commitments (detailed on page 20 above), forward looking Net Zero Carbon pathways have been modelled using the industry accepted Carbon Risk Real Estate Monitor ('CRREM') and have formed the basis for our new asset and portfolio level operational energy and carbon targets. Net Zero Carbon pathways have been developed to present the decarbonisation requirements needed to achieve Net Zero Carbon by 2050 or sooner; aligned with a 'Paris Proof' decarbonisation trajectory to pursue efforts to limit global warming to 1.5°C. On physical risk, Schroders has licenced a proprietary physical risk database through a third-party provider. The tool assesses vulnerability to physical risk hazards, and those climate-based indicators are based on RCP8.5. The strategy will be to use this database to screen acquisitions, assess standing investment portfolios and identify required risk mitigation (i.e. enhanced defences, divestment), adaptation, or transfer (i.e. revised insurance policies) strategies.

TCFD Recommendation	Approach
Risk Management	
Describe the Company's processes for identifying and assessing climate-related risks.	Schroders environmental management system ('EMS') is certified to ISO 14001 and applies to the asset management of the Company's real estate assets. Key components of the EMS include a detailed materiality assessment of risks and opportunities, and a register to monitor existing and emerging regulatory requirements related to energy and carbon emissions.
Describe the Company's processes for managing climate-related risks.	Climate-related risks are tracked and managed through ongoing monitoring (e.g. energy and greenhouse emissions trends), action plans (e.g. energy efficiency improvement measures), certification programmes (e.g. Energy Performance Certificates) and technical energy audits. Impact and Sustainability Action Plans also promote and track initiatives relating to climate opportunities (e.g. on-site renewables and electric vehicle charging provision). Applying an assessment of Paris Alignment using the CRREM tool as part of our Net Zero Pathway enables consideration of 'stranding risk' which will also feed into our asset action plans for managed standing investments.
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the Company's overall risk management.	The Manager has added ESG criteria, including climate-related risks, to its formal quarterly investment risk monitoring, which is overseen by Schroders Group Investment Risk function, the results of which are presented to the Company Board as part of the quarterly Board materials and discussed as necessary.
Metrics and Targets	
Disclose the metrics used by the Company to assess climate-related risks and opportunities in line with its strategy and risk management process.	In the 'EPRA Sustainability Reporting Performance Measures (unaudited)' and the 'Streamlined Energy and Carbon Reporting' sections of this report we report detailed performance trend data, intensity ratios and assessment methodologies covering energy consumption, GHG emissions, water consumption and waste generation.
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Scope 1 and Scope 2 emissions for the reporting year are disclosed in the 'EPRA Sustainability Reporting Performance Measures (unaudited)' and the 'Streamlined Energy and Carbon Reporting' sections of this report. Scope 3 emissions, where available, have been included within the Manager's operational Net Zero Carbon baseline. Due to the Covid pandemic, the 2020 year is generally not considered representative of building performance and so a baseline year of 2019 has been used.
Describe the targets used by the Company to manage climate-related risks and opportunities and performance against targets.	Net Zero Carbon pathways have been developed, using the Carbon Risk Real Estate Methodology ('CRREM') tool, to present the decarbonisation requirements needed to achieve Net Zero Carbon by 2050 or sooner; aligned with a 'Paris Proof' decarbonisation trajectory to pursue efforts to limit global warming to 1.5°C and include interim milestones at 2025 and 2030.

BUSINESS **OVERVIEW**

Berlin, Germany

The following pages set out the Company's strategy for delivering the investment objective (set out on the inside front cover), the business model, the risks involved, and how the Board manages and mitigates those risks. It also details the Company's purpose, values and culture, how it interacts with shareholders, and its approach to sustainability.

Business model

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. The terms of the appointment are described more completely in the Directors' Report. The Investment Manager also promotes the Company using its sales and marketing teams. The Board and the Investment Manager work together to deliver the Company's investment objective, as demonstrated by the diagram below. The investment and promotion processes set out in the diagram are described in more detail over the following pages.

Investment

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.

Investment strategy and objectives

Details of the Company's investment objective may be found on the inside front cover and details of the Company's investment strategy may be found on pages 2, 9, 10 and 14.

Diversification and asset allocation

The Board believes that in order to maximise the stability of the Company's income and value, the optimal strategy for the Company 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. 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 in the Company's portfolio described in the Investment Manager's Report demonstrate 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, including discretionary wealth managers, private investors, financial advisers and institutions, 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, which promote the shares of the Company through regular contact with both current and potential shareholders.

These activities consist of investor lunches, one-on-one meetings, regional roadshows 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. The Board also seeks active engagement with investors and meetings with the Chairman are offered to professional investors where appropriate.

Business Overview
Continued

Key performance indicators
The Board measures the development and success of the Company's business through achievement of the Company's investment objective: 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.

This is considered to be the most significant key performance indicator for the Company. The Board regularly reviews its ability to maintain the level of the dividend and regularly considers asset valuations and any movements. 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.

Purpose, value and culture
The Company's investment objective and purpose is set out on the inside front cover. The Company's culture is driven by its values:
- Responsibility – recognising the importance of the Company's role as steward, ESG considerations are integrated into the investment process to the benefit of a range of stakeholders including shareholders, tenants and local communities.
- Rigour – high-quality research and detailed analysis form the basis of all investment decisions.
- Relationships – building long-term relationships with the Company's service providers, in a way that encourages collaboration and fosters deep understanding of the Company's business, is a priority for the Company.

As the Company acts through its service providers, its culture is represented by the values and behaviour of the Board and third parties to which it delegates. The Board aims to fulfil the Company's investment objective by encouraging a culture of constructive challenge with all key suppliers and openness with all stakeholders. The Board is responsible for embedding the Company's culture in the Company's operations.

The Board recognises the Company's responsibilities with respect to corporate and social responsibility and engages with its service providers to safeguard the Company's interests. As part of this ongoing monitoring, the Directors receive reporting from service providers on matters such as their anti-bribery and corruption policies; Modern Slavery Act 2015 statements; diversity policies; and greenhouse gas and energy usage reporting. The Management Engagement Committee reviews the Company's service providers. Its report is on page 41.

Corporate and social responsibility
Board gender diversity
As at 30 September 2022, the Board comprised three men and one woman. The Board has adopted a diversity and inclusion policy. With respect to recruitment of non-executive Directors, the Board recognises that its debates and decision-making are greatly enriched by a wider range of perspectives and thinking, fostered by diversity of experience and knowledge, social and ethnic backgrounds, gender, and cognitive and personal strengths. It will encourage any recruitment agencies it engages to find a diverse range of candidates that meet the objective criteria agreed for each appointment. Appointments will always be based on merit alone. 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 criteria for the role being offered. There have been no changes to the Board during the year.

Financial crime policy
The Company continues to be committed to carrying out its business fairly, honestly and openly operates a financial crime policy (available on the Company's website), covering bribery and corruption, tax evasion, money laundering, terrorist financing and sanctions, as well as seeking confirmations that the Company's service providers' policies are operating soundly.

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, the Annual and Half Year Reports and regular market communications which aim to provide shareholders with a clear understanding of the Company's activities and its results. In addition to the engagement and meetings held during the year, the Chairs of the Board and its Committees attend the AGM and are available to respond to queries and concerns from shareholders.

Rennes, France

Strategic Review – Governance

Stakeholder Engagement, Section 172 of the Companies Act 2006
Directors take their responsibilities under section 172 of the Companies Act seriously and are committed to engaging with and, understanding the views of, the Company's stakeholders and to taking those views into account in the Board's decision-making process.

The table below outlines this engagement and the impact on decision-making where appropriate, and cross-refers to the decisions made by the Board during the year, detailed elsewhere in this Report.

Stakeholder	Stakeholder considerations, engagement and key decisions
Shareholders	Without investors, who are willing to commit capital in return for a regular and attractive level of income together with the potential for income and capital growth as per the Company's investment objective and purpose, the Company would not exist. The Company welcomes attendance and participation from Shareholders at the Annual General Meeting. This will provide an opportunity for Shareholders to engage with the Board and the Investment Manager. The annual and half year results presentations are available on the Company's website, with results and key updates announced via a regulatory news service. The Directors receive regular updates on the shareholder register, any trading activity and feedback received from investor meetings held by the Investment Manager and Broker. The Board is responsible for discount and premium management and is alert to the value Shareholders place on maintaining as low a level of discount volatility as possible. As detailed in 'Promotion' on page 25 and 'Relations with Shareholders' on page 26, the Company engages with its shareholders. The Board considered feedback by shareholders when declaring four interim dividends in respect of the year ended 30 September 2022. The Directors considered the long-term consequences of paying up from the Company's distributable reserves, noted the financial position of the Company, and determined that the payment of the four interim dividends was in the best interests of its stakeholders. The Board also declared three further distributions totalling 9.8 euro cents per share, by way of special dividend, allowing shareholders to benefit from the profit associated with the successful execution of the Paris, Boulogne-Billancourt business plan. From an asset acquisition perspective, during the year, the Board approved the Investment Manager's recommendation in relation to the acquisition of a freehold car showroom property in Cannes. The Board considered that this acquisition would diversify and strengthen the Company's exposure to growth regions and sectors to the benefit of all stakeholders. Further detail is set out in the Investment Manager's Report on pages 10 to 13.
The Investment Manager	The Board maintains a constructive and collaborative relationship with the Investment Manager, encouraging open discussion. The Board invites the Investment Manager to attend all Board and certain committee meetings and receives regular reports on the performance of the investments and the implementation of the investment strategy, policy and objective. The portfolio activities undertaken by the Investment Manager and the impact of decisions affecting investment performance are set out in the Investment Manager's Review on pages 10 to 13. The Management Engagement Committee reviews the performance of the Investment Manager, its remuneration and the discharge of its contractual obligations at least annually.

Stakeholder	Stakeholder considerations, engagement and key decisions
Other service providers	As an externally managed investment trust, the Board is reliant on service providers who have a direct working or contractual relationship with the Company. This includes, but is not limited to, the Depositary, corporate broker and tax advisors. The Board maintains regular contact with its key service providers, both at the Board and committee meetings, and through ad hoc communication throughout the year. The need to foster business relationships with key service providers is central to the Directors' decision-making as the Board of an externally managed investment trust. The effect of such engagement, to the extent relevant, is detailed in the Chairman's Statement, Investment Managers' Report, Audit, Valuation and Risk Committee Report and Management Engagement Committee Report. During the period, the Management Engagement Committee undertook reviews of the third-party service providers and agreed that their continued appointment remained in the best interests of the Company and its Shareholders. In this respect, the Committee periodically reviews the market rates for services received, to ensure that the Company continues to receive high quality service at a competitive cost. During the year, Directors attended a meeting to assess the internal controls of certain service providers including the Company's Depositary, Langham Hall, its UK Registrar, Equiniti, and Schroder's Group Internal Audit. These meetings enable the Board to conduct due diligence on operations and IT risks amongst service providers; and to receive up-to-date information changes in regulation and market practice in the industry.
The Company's Lenders	Borrowing allows the Company's shareholders to increase exposure to Winning Cities and Regions and maximise returns in favourable markets at a low cost. They have a financial interest in the success of the Company. The Board is responsible for ensuring that the Company adheres to all existing loan covenants. The Board has continued to worked closely with its lenders during the year, particularly in relation to the Seville asset, which is being managed under an LTV covenant waiver to facilitate sale.
Occupiers	The Company has a diverse range of tenants occupying space across the portfolio. This includes businesses that operate out of our office or industrial space and the retailers and shoppers who work at or visit our retail properties. Active and constant engagement with occupiers, either directly by the Investment Manager or through property managers or agents, provides intelligence as to what is important to them. Understanding changing needs, both at an individual company level, as well as on a sectoral and broader economic level, is a key tenet informing both individual asset management decisions as well as the longer-term strategic direction of the Company.
Local communities and the environment	Our assets are located across Continental Europe in a range of urban environments. The buildings and their occupiers are part of the fabric of local communities. The Company is committed to using resources such as energy, water and materials in a sustainable manner for the prevention of GHG and the mitigation of climate change. The Board expects the Investment Manager to engage with local communities, councils and individuals and that the Company's asset strategies are sensitive to the unique heritage of each location and take into account environmental considerations. Further information on the Investment Manager's approach to these matters is set out in the Sustainability Report on pages 16 to 19. In light of the outsourced business model (set out further in the Directors' Report on page 36), the impact of the Company's operations on occupiers, local communities and the environment is through the delivery of its service providers, in particular, the Investment Manager (in this respect see further the Sustainability Report at pages 16 to 19).

Strategic Review – Governance
Continued

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, Valuation and Risk 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 2022.

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.

From an emerging risks and uncertainties perspective the Board recognises the changing global environment and the risks posed by inflation, geo-political uncertainty (in particular stemming from the war in Ukraine) and volatile markets. The Board receives regular updates on those risks from the Investment Manager. Overall, however, the diversification of the Company's portfolio is expected to help minimise the impact of these factors, which the Board will continue to keep under review.

The Board also continues to be mindful of the Ukraine war and the economic ramifications (particularly inflation) and the structural change that the Covid-19 pandemic had the potential to expedite, which could affect the use and prospects of some real estate sectors, and is keeping this under review, particularly in connection with its decisions to re-deploy investable cash.

Otherwise, the principal risks and uncertainties faced by the Company have largely remained unchanged throughout the year. Actions taken by the Board and its Committees to manage and mitigate the Company's principal risks and uncertainties, are set out in the table below.

Risk	Mitigation and management
Investment policy and strategy An inappropriate investment strategy, or failure to implement the strategy, could lead to underperformance and the share price being at a larger discount, or smaller premium, to NAV. This underperformance could be caused by incorrect sector and geographic weightings or a loss of income through tenant failure, both of which could lead to a fall in the value of the underlying portfolio. This fall in values would be amplified by the Company's external borrowings.	The Board seeks to mitigate these risks by: – Diversification of its property portfolio through its investment restrictions and guidelines which are monitored and reported on by the Investment Manager – Determining borrowing policy, and ensuring the Investment Manager operates within borrowing restrictions and guidelines – Receiving from the Investment Manager timely and accurate management information including performance data, attribution analysis, property level business plans and financial projections – Monitoring the implementation and results of the investment process with the Investment Manager with a separate meeting devoted to strategy each year – Reviewing marketing and distribution activity and considering the use of a discount control mechanism as necessary
Implementation of investment strategy 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.	The Board regularly reviews: the Investment Manager's compliance with the agreed investment restrictions, investment performance and risk against investment objectives and strategy; relative performance; and the portfolio's risk profile. Appropriate strategies are employed to mitigate any negative impact of substantial changes in markets, including any potential disruption to capital markets. An annual review of the ongoing suitability of the Investment Manager is undertaken.
Economic and property market risk The performance of the Company could be affected by economic, currency and property market risk, such as that caused by the Covid-19 pandemic. In the wider economy this could include inflation or deflation (including in respect of costs such as construction costs and operating expenses), economic recessions, movements in foreign exchange and interest rates or other external shocks. The performance of the underlying property portfolio could also be affected by structural or cyclical factors impacting particular sectors (for example, retail) or regions of the property market and counterparty solvency. Deterioration in certain real estate markets may affect gearing covenants.	The Board considers economic conditions and the uncertainty around political events when considering investment decisions. The Board mitigates property market risk through the review of the Company's strategy on a regular basis and discussions are held to ensure the strategy is still appropriate or if it needs updating. Diversification of the majority of the portfolio across the office and industrial/logistics sectors in growth cities, and focus on functional and affordable space, provides defensive characteristics. The portfolio also benefits from a high percentage (approximately 80%) of inflation linked leases which contributes to rental growth and mitigates value declines. From an ESG perspective, the Company's ESG rating has improved to 4 stars, demonstrating its ongoing commitment to sustainability. The assets of the Company are denominated in non-sterling currencies, predominantly the euro. No currency hedging is planned for capital, but the Board periodically considers the hedging of dividend payments having regard to availability and cost. The Board monitors gearing covenants closely and, where it considers risk has increased, maintains an open dialogue with external debt providers. For example, in relation to the Seville asset, the Company is working closely with the lender to manage the asset under an LTV covenant waiver to facilitate sale. The loan is secured only by the asset and there is no recourse to the Company, or any other entity in the Group. The Investment Manager is also proactively refinancing the loan agreements due to expire throughout 2023.

Risk	Mitigation and management
Custody Safe custody of the Company's assets may be compromised through control failures.	The Depositary verifies ownership and legal entitlement, and reports on safe custody of the Company's assets, including cash. The Depositary provides a quarterly report 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 and availability of financing could be detrimental to performance.	Gearing, including covenant compliance, is monitored at quarterly Board meetings and ad hoc as required and strict restrictions on borrowings imposed. Overall cost of debt is regularly reviewed with any new debt or refinancing presented to Schroders Capital Real Estate Investment Committee and Board for approval.
Accounting, legal and regulatory (including tax) The NAV and financial statements could be inaccurate. Breaches of the UK Listing Rules, the Companies Act 2006 or other regulations with which the Company is required to comply could lead to a number of detrimental outcomes. Changes to law and regulation, including retrospective changes, could impact the Company's performance and position.	The Investment Manager has robust processes in place to ensure that accurate accounting records are maintained and that evidence to support the financial statements is available to the Board and the auditors. The Investment Manager operates established property accounting systems and has procedures in place to ensure that the quarterly NAV and gross asset value are calculated accurately. The Board has appointed the Investment Manager as Alternative Investment Fund Manager in accordance with the Alternative Investment Fund Managers Directive. The quarterly and annual NAV has numerous levels of reviews including by the Board. Additional support is produced by the fund accountants to ensure financial data is complete and accurate. An external audit is completed to provide an opinion on the financial statements which have been reviewed by the Board. The Investment Manager and Company Secretary monitor legal requirements to ensure that adequate procedures and reminders are in place to meet legal requirements and obligations. The Investment Manager undertakes full legal due diligence with advisers when transacting and managing the Company's assets. All contracts entered into by the Company and its subsidiaries are reviewed by the Company's legal and other advisers. Confirmation of compliance with relevant laws and regulations received from key service providers. Shareholder documents and announcements, including the Company's published Annual Report, are subject to stringent review processes. Procedures have been established to safeguard against unauthorised disclosure of inside information. The Board receives regular reporting on proposed changes to law and regulation which could affect the Group's structure. Contingencies are made where appropriate (see, for example, note 10).
Valuation Property valuations are inherently subjective and uncertain, due to the individual nature of each property and its liquidity, particularly under stressed market conditions. Valuations also include annual reinstatement costs for insurance purposes. Inflation and availability of goods and services, could heighten the risk around correct reinstatement values and completion programmes.	External valuers provide independent valuation of all assets at least quarterly. The Audit, Valuation and Risk Committee includes two experienced chartered surveyors. Members of the Audit, Valuation and Risk Committee meet with the external valuers to discuss the basis of their valuations and their quality control processes on a quarterly basis.

Strategic Review – Governance
Continued

Risk	Mitigation and management
Service provider The Company has delegated certain functions to a number of service providers. Failure of controls, including as a result of cyber-hacking, and poor performance of any service provider could lead to disruption, reputational damage or loss.	Service providers are appointed subject to due diligence processes and with clearly documented contractual arrangements detailing service expectations. Regular reporting by key service providers is received and the quality of services provided is monitored. A review of annual audited internal controls reports from key service providers, including confirmation of business continuity arrangements, is undertaken.
Health and safety Failure to implement appropriate health and safety measures could impact the safety and confidence of tenants and visitors.	The Investment Manager liaises with property managers to ensure appropriate health and safety arrangements are in place.

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, Valuation and Risk 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, Valuation and Risk Committee's ongoing risk assessment which has been in place throughout the financial year and up to the date of this report. The Board is satisfied that it has undertaken a detailed review of the risks facing the Company.

A full analysis of the financial risks facing the Company and its subsidiaries is set out in note 22 on pages 72 to 75.

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 commencing from the date of this report 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. 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 1.9 years and the average unexpired lease term, assuming all tenants vacate at the earliest opportunity, is 4.4 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 30 to 32, which could negatively impact its ability to deliver the investment objective, strategy, liquidity and solvency. This includes consideration of scenario stress testing and 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, general liquidity requirements and potential legal and regulatory change for a five-year period.

These metrics are subject to a sensitivity analysis which involves flexing a number of the main assumptions including macro-economic scenarios, delivery of specific asset management initiatives, rental growth and void/reletting assumptions. The Board also reviews assumptions regarding capital recycling and the Company's ability to refinance or extend financing facilities. Steps which are taken to mitigate these risks as set out in the Strategic Review on pages 30 to 32 are also taken into account.

Based on the assessment, and having considered in detail base and downside scenarios modelling, 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 Board believes it is appropriate to adopt the going concern basis in preparing the financial statements. A comprehensive going concern statement setting out the reasons the Board considers this to be the case is set out in note 1 on page 58.

By order of the Board

Sir Julian Berney Bt.
Chairman

5 December 2022

Boulogne-Billancourt, Paris, France

Board of Directors

Sir Julian Berney Bt.
Independent Non-Executive Chairman

Length of service : Seven years – appointed as a Director and Chairman on 6 November 2015

Aged 70, 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, Valuation and Risk; Management Engagement; and Nomination and Remuneration Committees (Chairman of the Nomination and Remuneration Committee)

Current remuneration: £50,000 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
Independent Non-Executive Director

Length of service : Seven years – appointed as a Director on 29 October 2015

Aged 68, is an international banker with over 30 years' experience in investment banking and strategic planning. He is presently a non-executive director of Union Bank UK Ltd, an operating partner with Corsair Capital and was formerly with Standard Chartered Bank where he was 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 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, Valuation and Risk; Management Engagement; and Nomination and Remuneration Committees (Chairman of the Management Engagement Committee)

Current remuneration: £40,000 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
Independent Non-Executive Director

Length of service : Seven years – appointed as a Director on 29 October 2015

Aged 64, is the non-executive chairman of the Argent group of real estate regeneration, development and investment businesses. He is also a non-executive director and chair of the audit committee at Phoenix Spree Deutschland PLC, a non-executive director and chair of the audit and risk committee at The Government Property Agency and is an independent member of the investment advisory board to three family wealth funds. He is a past chairman of the Investment Property Forum and a past board member of the British Property Federation. An accountant by background, he spent 32 years at KPMG including 12 years as chair of KPMG's International Real Estate and 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, Valuation and Risk; Management Engagement; and Nomination and Remuneration Committees (Chairman of the Audit, Valuation and Risk Committee)

Current remuneration: £45,000 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

Ms Elizabeth Edwards
Independent Non-Executive Director

Length of service : Two years – appointed as a Director on 1 November 2020

Aged 65, is currently the Senior Independent Director of CLS Holdings plc as well as being a member of the audit and nominations committee. She is a Trustee of Refuge and member of audit committee, also a Trustee of the Central School of Ballet, where she is also member of the audit committee. A chartered surveyor by background and a Fellow of the Royal Institution of Chartered Surveyors, she has worked in commercial property investment both in the UK and Europe since 1980, with a focus on lending.

Committee membership: Audit, Valuation and Risk; Management Engagement; and Nomination and Remuneration Committees

Current remuneration: £40,000 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 2022

Directors and officers

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 34. He has no conflicting relationships.

Company Secretary

Schroder Investment Management Limited provides company secretarial support to the Board and is responsible for assisting the Chairman with Board meetings and advising the Board with respect to governance. Shareholders wishing to lodge questions in advance of the AGM are invited to do so by writing to the Company Secretary at the address given on the inside back cover.

Role and operation of the Board

The Board of four Directors, listed on pages 34 and 35, 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.

Four Board meetings are usually scheduled each year to deal with matters including: the setting and monitoring of investment strategy; potential acquisitions and disposals; 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 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.

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 reports of the Audit, Valuation and Risk Committee, Management Engagement Committee and Nomination and Remuneration Committee are incorporated into, and form part of, the Directors' Report.

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 12 months' notice 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 Financial Conduct Authority ('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 £752.4 billion (as at 30 September 2022) 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 Group per annum where the EPRA NAV of the Group is less than or equal to £500 million. To the extent that the EPRA NAV of the Group 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 2022 amounted to €2,198,000 (2021: €2,181,000).

During the year ended 30 September 2022, the Investment Manager was entitled to receive a fee for secretarial and accounting services provided to the Company.

Details of all amounts payable to the Investment Manager are set out in note 5 on page 63.

The Board has reviewed the performance of the Investment Manager during the year under review and continues to consider that it 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 best 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.

Compliance with the AIC Code of Corporate Governance

The Board of the Company has considered the principles and provisions of the AIC Code of Corporate Governance, as published in February 2019 (the 'AIC Code'). The AIC Code addresses the principles and provisions set out in the UK Corporate Governance Code (the 'UK Code'), as well as setting out additional provisions on issues that are of specific relevance to the Company. The Board considers that reporting against the principles and provisions of the AIC Code, which has been endorsed by the Financial Reporting Council, provides more relevant information to shareholders. The AIC Code is available on the AIC website (www.theaic.co.uk). It includes an explanation of how the AIC Code adopts the principles and provisions set out in the UK Code to make them relevant for investment companies. The UK Code is available from the Financial Reporting Council's website at www.frc.org.uk.

The FCA requires all UK listed companies to disclose how they have complied with the provisions of the UK Code. This statement, together with the Statement of Directors' Responsibilities set out on page 47 and the viability and going concern statements set out on pages 32 indicate how the Company has complied with the principles of good governance of the UK Code and its requirements on internal control. The Strategic Report and Directors' Report provide further details on the Company's internal controls (including risk management), governance and diversity policies.

The Company has complied with the principles and provisions of the AIC Code, save for the provision relating to the appointment of a senior independent director ('SID'), where departure from the Code is considered appropriate given the Company's position as an investment company. As the Board comprises entirely non-executive Directors, the appointment of a SID has not been considered necessary. However, the Chairman of the Audit, Valuation and Risk 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.

Also, the Nomination and Remuneration Committee is responsible for reviewing Directors' remuneration and, accordingly, there is no separate Remuneration Committee.

At the AGM held on 8 March 2022, 21.97% of votes were cast against the resolution to amend the Company's articles of association to provide flexibility to hold general meetings by electronic means. Prior to the AGM it came to the Company's attention that a proxy voting service had recommended that shareholders vote against the resolution on the basis that the Board had not confirmed its intention that these powers would only be used if the specific circumstances or applicable law and regulation required it and the Board's intention was to always hold a physical AGM provided it was both safe and practical to do so. Upon becoming aware of this, the Board released an announcement including this confirmation, following which the proxy voting service changed its recommendation and recommended shareholders vote in favour of the resolution. However, as this change was made four days before the AGM many shareholders had already cast their vote against the resolution. The Board does not intend to take any further steps in relation to the votes against in the circumstances, however, it reiterates that this authority will only be used in exceptional circumstances.

Dividend and dividend policy

Having already declared and paid interim dividends amounting to 10.4 euro cents per share, the Board has declared a fourth interim dividend of 1.85 euro cents per share for the year ended 30 September 2022 which will be payable on 13 January 2023 to shareholders on the Register on 30 December 2022. Thus, dividends declared in respect of the year ended 30 September 2022 amount to 12.25 euro cents (2021: 11.87 euro cents) per share.

The Company targets to deliver an annual dividend of 7.4 euro cents per share.

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.

Other required Directors' Report disclosures under laws, regulations and the Code

Status

The Company carries on business as an investment trust. Its shares are listed and admitted to trading on the premium segment of the Main Market of the London Stock Exchange. It also has a secondary listing on the Main Board of JSE Limited. The Company has been approved by HM Revenue and 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 18 subsidiaries, details of which are set out in note 15 on page 69, and a branch in France.

Directors' Report
Continued

Listing Rule Disclosure
The Company confirms that there are no items which require disclosure under Listing Rule 9.8.4R in respect of the year ended 30 September 2022.

Information included in Strategic Report
The Company's disclosures on future developments and carbon emissions are included in the Strategic Report on pages 17 and 20 respectively.

Financial risk management
Details of the Company's financial risk management objectives and exposure to risk can be found in note 22 on pages 72 to 75.

Share Capital and substantial share interests
As at the date of this report, the Company had 133,734,686 ordinary shares of 10 pence 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. There have been no changes to the Company's share capital during the year under review.

There are no restrictions on voting rights and no restrictions concerning the transfer of shares in the Company except that certain restrictions may from time to time be imposed by laws and regulations (for example, insider trading laws). There are no special rights with regard to control attached to securities and no agreements between holders of securities regarding their transfer known to the Company; and no agreements to which the Company is a party that might change or fall away on a change of control or trigger any compensatory payments for Directors, following a successful takeover bid.

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 2022	Percentage of total voting rights
Truffle Asset Management Pty Limited	**13,374,389**	10.00[1]
Investec Wealth and Investment Limited	**13,334,600**	9.97
Schroders plc	**10,750,000**	8.04
Close Asset Management Limited	**6,775,921**	5.07
Wesleyan Assurance Society	**4,042,500**	3.02

1 The Board is aware that, since the last notification made to the Company in March 2016, the investor's percentage of total voting rights has fallen below 3%.

There have been no notified changes to the holdings set out above as at the date of this report.

Provision of information to the auditors
The Directors at the date of approval of this report confirm that, as 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.

Directors' attendance at meetings
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, Valuation and Risk Committee	Nomination and Remuneration Committee	Management Engagement Committee
Sir Julian Berney Bt. (Chairman)	4/4	5/5	1/1	1/1
Jonathan Thompson	4/4	5/5	1/1	1/1
Mark Patterson	4/4	5/5	1/1	1/1
Elizabeth Edwards	4/4	5/5	1/1	1/1

In addition to the above meetings, the Board met several times on an ad hoc basis during the year to discuss matters as they arose, including potential acquisitions and to hold a strategy meeting.

Directors' and officers' liability insurance and indemnity
Directors' and officers' liability insurance cover has been in place for the Directors throughout the year. The Company's Articles of Association 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 judgement 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. This is a qualifying third-party indemnity and was in place throughout the year under review for each Director and to the date of this report.

Streamlined Energy and Carbon Reporting
Streamlined Energy and Carbon Reporting disclosures, including details of the Company's greenhouse gas emissions, are set out in the Energy and Carbon Report on pages 90 to 92.

By order of the Board

Schroder Investment Management Limited
Company Secretary

5 December 2022

Audit, Valuation and Risk Committee Report

The responsibilities and work carried out by the Audit, Valuation and Risk Committee during the year under review are set out in the following report. The duties and responsibilities of the Committee, which include monitoring the integrity of the Company's financial reporting and internal controls, may be found in the terms of reference which are set out on the Company's webpages at www.schroders.co.uk/sereit. All Directors are members of the Committee. Jonathan Thompson is the Chairman of the Committee. The Chair of the Board is a member of the Committee, and was independent on appointment. The Board has satisfied itself that at least one of the Committee's members has recent and relevant financial experience and that the Committee as a whole has competence relevant to the sector in which the Company operates.

The Committee met five times during the year ended 30 September 2022. Committee meetings were attended by all members. 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 plans and engagement letters;
- Reviewing environmental, social and governance ('ESG') matters;
- Reviewing the independence of the auditors;
- Evaluating the auditors' performance; and
- Reviewing the principal risks faced by the Company and the internal controls system.

Annual Report and financial statements
During its review of the Company's financial statements for the year ended 30 September 2022, the Audit, Valuation and Risk 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 Group's NAV.	The Audit, Valuation and Risk 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, Valuation and Risk Committee met with Knight Frank LLP each quarter outside the formal meeting structure to discuss the process, assumptions, independence and communication with the Investment Manager. The valuation of the Seville and Paris & Boulogne-Billancourt assets were a particular area of discussion. Furthermore, as this is the main area of audit focus, the Auditors contact the valuers directly and independently of the Investment Manager. The Audit, Valuation and Risk 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, Valuation and Risk Committee. On the basis of the above, the Audit, Valuation and Risk Committee concluded that the valuations were suitable for inclusion in the financial statements.
Overall accuracy of the Half Year and Annual Report and Accounts	Consideration of the draft Half Year and Annual Report and Accounts and the letter from the Investment Manager in support of the letter of representation to the Auditors. Specific matters considered in relation to the Half Year Report and Accounts included IFRS15 revenue recognition in respect of Paris Boulogne-Billancourt, and impairment of the Seville joint venture under IFRS9.
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 section 1158 of the Corporation Tax Act 2010	Consideration of the Investment Manager's Report confirming compliance.

Audit, Valuation and Risk Committee Report
Continued

Effectiveness of the independent audit process
The Committee evaluated the effectiveness of the independent audit firm and process prior to making a recommendation on its reappointment 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 were also given the opportunity to meet with the Auditors without representatives of the Investment Manager present.

Representatives of the Auditors attend the Committee meeting at which the draft Half Year and Annual Report and Accounts are considered. Having reviewed the performance of the Auditors as described above, the Committee considered it appropriate to recommend the firm's reappointment.

The Auditors are required to rotate the senior statutory auditor every five years. This is the fifth year that the senior statutory auditor, Saira Choudhry, has conducted the audit of the Company's financial statements and therefore a new senior statutory auditor will conduct the Company's next audit.

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

Independent Auditors
PricewaterhouseCoopers LLP have provided audit services to the Company since it was appointed in 2016. Under mandatory audit rotation rules, the Company will be required to put the external audit out to tender at least every ten years. PricewaterhouseCoopers LLP have indicated their willingness to continue in office. Accordingly, resolutions to reappoint PricewaterhouseCoopers LLP as Auditors to the Company and its subsidiaries, and to authorise the Directors to determine their remuneration will be proposed at the AGM.

Provision of non-audit services
The Audit, Valuation and Risk 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, Valuation and Risk 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, the Auditors carried out an interim review which is an assurance related non-audit service. The interim review fee was €45,200 (2021: €51,000). The Auditors did not perform any other non-audit services during the year.

Internal audit
The Company does not have an internal audit function; it delegates to third parties most of its operations and only has one part-time employee. The Audit, Valuation and Risk Committee will continue to monitor the system of internal control in order to provide assurance that it operates as intended and the Committee members will annually review whether an internal audit function is needed. As part of this process, the Committee Chairman meets annually with the Schroders Group Head of Internal Audit.

Jonathan Thompson
Audit, Valuation and Risk Committee Chairman

5 December 2022

Recommendations made to, and approved by, the Board:
- As a result of the work performed, the Committee has concluded that the Annual Report for the year ended 30 September 2022, 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 47.
- The Committee recommended that the going concern presumption be adopted in the Report and Accounts and the explanations set out in the viability statement.
- That the Auditors be recommended for reappointment at the AGM and the Directors be authorised to determine their remuneration.

Management Engagement Committee Report

The Management Engagement Committee is responsible for: (1) the monitoring and oversight of the Investment Manager's performance and fees, and confirming the Investment Manager's ongoing suitability; and (2) reviewing and assessing the Company's other service providers, including reviewing their fees. All Directors are members of the Committee. Mark Patterson is the Chairman of the Committee. Its terms of reference are available on the Company's webpages at www.schroders.co.uk/sereit.

Approach

Oversight of the Investment Manager	Oversight of other service providers
The Committee: – Reviews the Investment Manager's performance and suitability; – Considers the reporting it has received from the Investment Manager throughout the year, and the reporting from the Investment Manager to shareholders; – Assesses management fees on an absolute and relative basis, receiving input from the Company's corporate broker, including peer group and industry figures, as well as the structure of the fees; – Reviews the appropriateness of the Investment Manager's contract, including terms such as notice period; – Assesses whether the Company receives appropriate administrative, accounting, company secretarial and marketing support from the Investment Manager.	The Committee reviews the performance and competitiveness of the Company's service providers on at least an annual basis, including the Corporate Broker, the Valuers and the Registrars. The Committee noted the Audit, Valuation and Risk Committee's review of the Auditors.

Application during the year

The Committee undertook a detailed review of the Investment Manager's performance and agreed that it has the appropriate capabilities required to allow the Company to meet its investment objective. The Committee also reviewed the terms of the Investment Management Agreement and agreed they remained fit for purpose. The Committee reviewed the other services provided by the Investment Manager and agreed they were satisfactory.	The annual review of each of the service providers was satisfactory. The Committee noted that the Audit, Valuation and Risk Committee had undertaken a detailed evaluation of the Investment Manager, Depositary and Registrar's internal controls.

Recommendations made to, and approved by, the Board:

- That the ongoing appointment of the Investment Manager on the terms of the Investment Management Agreement, including the fee, was in the best interests of shareholders as a whole.
- That the Company's service providers' performance remained satisfactory.

Nomination and Remuneration Committee Report

The Nomination and Remuneration Committee is responsible for: (1) the recruitment, selection and induction of Directors; (2) their assessment during their tenure; and (3) the Board's succession. All Directors are members of the Committee and the Chairman of the Board is the Chairman of the Committee. Its terms of reference are available on the Company's webpages at www.schroders.co.uk/sereit.

Oversight of Directors

Selection	Induction	Annual evaluation	Annual review of succession policy	Application of succession policy

Approach

Selection and induction	Board evaluation and fees	Succession
– Committee prepares a job specification for each role, and an independent recruitment firm is appointed. For the Chairman and the Chairs of Committees, the Committee considers current Board members too. – Job specification outlines the knowledge, professional skills, personal qualities and experience requirements. – Potential candidates assessed against the Company's diversity policy. – Committee discusses the long list, invites a number of candidates for interview and makes a recommendation to the Board. – Committee reviews the induction and training of new Directors.	– Committee assesses each Director annually as well as the performance of the Board as a whole and its committees. – Evaluation focuses on whether each Director continues to demonstrate commitment to their role and provides a valuable contribution to the Board during the year, taking into account time commitment, independence, conflicts and training needs. – Following the evaluation, the Committee provides a recommendation to shareholders with respect to the annual re-election of Directors at the AGM. – All Directors retire at the AGM and their re-election is subject to shareholder approval. – Committee reviews Directors' fees, taking into account comparative data and reports to shareholders. – Any proposed changes to the remuneration policy for Directors are discussed and reported to shareholders.	– The Board's succession policy is that Directors' tenure will be for no longer than nine years, except in exceptional circumstances, and that each Director will be subject to annual re-election at the AGM. – Committee reviews the Board's current and future needs at least annually. Should any need be identified the Committee will initiate the selection process. – Committee will oversee the handover process for retiring Directors.

For application see the following page

Application during the year		
Selection and induction	**Board evaluation and fees**	**Succession**
– No new appointments were made during the period.	– The annual board evaluation was undertaken in November 2022. – The Committee reviewed each Director's time commitment and independence by reviewing a complete list of appointments, including pro bono not for profit roles, to ensure that each Director remained free from conflict and had sufficient time available to discharge each of their duties effectively. All Directors were considered to be independent in character and judgement. – The Committee considered each Director's contributions, and noted that in addition to extensive experience as professionals and non-executive Directors, each Director had valuable skills and experience, as detailed in their biographies on pages 34 and 35. – Based on its assessment, the Committee provided individual recommendations for each Director's re-election. – In November 2021, the Committee reviewed Directors' fees, using external benchmarking, and recommended an increase in Directors' fees as detailed below. The Committee further reviewed fees in November 2022 and determined that fees should remain unchanged.	– The Committee reviewed the succession policy and agreed that a formal succession plan would be put in place in 2023.

Recommendations made to, and approved by, the Board:

- That from 1 October 2021, Director fees be increased to £50,000 for the Chairman and £40,000 for the other Directors, and that, subject to shareholder approval on changes to the Remuneration Policy (subsequently received at the AGM on 8 March 2022), an additional £5,000 be paid to the Chairman of the Audit, Valuation and Risk Committee to reflect his additional responsibilities.
- That all Directors continue to demonstrate commitment to their roles, provide a valuable contribution to the deliberations of the Board and remain free from conflicts with the Company and its Directors, so should all be recommended for re-election by shareholders at the AGM.

Directors' Remuneration Report

Introduction
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 2025 and the current policy provisions will continue to apply until that date. The below Directors' Remuneration Report 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 March 2022, 98.16% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the remuneration policy were in favour, while 1.84% were against. 216,515 votes were withheld.

At the AGM held on 8 March 2022, 99.94% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the Annual Report on Remuneration for the period ended 30 September 2021 were in favour, while 0.06% were against. 214,721 votes were withheld.

Annual Statement from the Chair of the Committee
I am pleased to present the Directors' Remuneration Report for the year 30 September 2022. During the year, the Committee reviewed the Directors' fees and the outcome of this review can be found below.

Directors' remuneration policy
The determination of the Directors' fees is considered by the Nomination and Remuneration 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 of Association. This aggregate level of 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, as may the Chairman of the Audit, Valuation and Risk Committee should the Board think it appropriate. 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 from the Company, 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 at the date of this report, the Company had one part-time employee. In light of the fact that the Company's Board is comprised entirely of non-executive Directors without entitlement to a pension, share scheme, share options or long-term performance incentives, the employee's pay and employment conditions were not taken into account when setting this remuneration policy, nor was the employee 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' Remuneration Report

This Report sets out how the Directors' remuneration policy was implemented during the year ended 30 September 2022.

Fees paid to Directors

During the year ended 30 September 2022, the Chairman was paid a fee of £50,000, the Chairman of the Audit, Valuation and Risk Committee was paid £42,500 and the other members of the Board were each paid a fee of £40,000.

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 2022 and the previous financial year. The euro equivalent of the Director's fees is disclosed in note 9.

	Fees		Taxable benefits[1]		Annual Total			
Director	**2022 £**	2021 £	**2022 £**	2021 £	**2022 £**	2021 £	Annual percentage change 2022 (%)	Annual percentage change 2021 (%)
Sir Julian Berney Bt.	**50,000**	40,000	**1,835**	–	**51,835**	40,000	25	(2.3)
Jonathan Thompson[2]	**42,500**	35,000	**–**	–	**42,500**	35,000	21.4	(0.5)
Mark Patterson	**40,000**	35,000	**350**	–	**40,350**	35,000	14.3	(0.8)
Elizabeth Edwards[3]	**40,000**	32,083	**232**	–	**40,232**	32,083	24.7	100
Total	**172,500**	142,083	**2,417**	–	**174,917**	142,083		

1 Comprises amounts reimbursed for expenses incurred in carrying out business for the Company.
2 An additional £5,000 p.a. payable from 1 April 2022 reflecting his increased responsibilities as Chairman of the Audit, Valuation and Remuneration Committee.
3 Appointed as a director on 1 November 2020.

The information in the above table has been audited (see the Independent Auditors' Report on pages 48 to 53).

Consideration of matters relating to Directors' remuneration

Directors' remuneration was last reviewed by the Board and the Nomination and Remuneration Committee in November 2022. The members of the Board and the Nomination and Remuneration Committee at the time that remuneration levels were considered were as set out on pages 34 and 35. Although no external advice was sought in considering the levels of Directors' fees, information on fees paid to Directors of other investment trusts managed by Schroders and peer group companies provided by the Investment Manager and corporate broker was taken into consideration.

Following this review, the Board agreed that fees should remain unchanged. Directors' fees were last increased with effect from 1 October 2021.

Expenditure by the Company on remuneration and distributions to shareholders

The table below compares the expenditure by the Company on remuneration to distributions made to shareholders during the year under review and the prior financial year.

	Year ended 30 September 2022 (£'000)	Year ended 30 September 2021 (£'000)	Change (%)
Remuneration payable to Directors	**173**	142	22
Remuneration payable to part-time employee	**21**	21	0
Dividends paid to shareholders	**21,342**	7,476	185

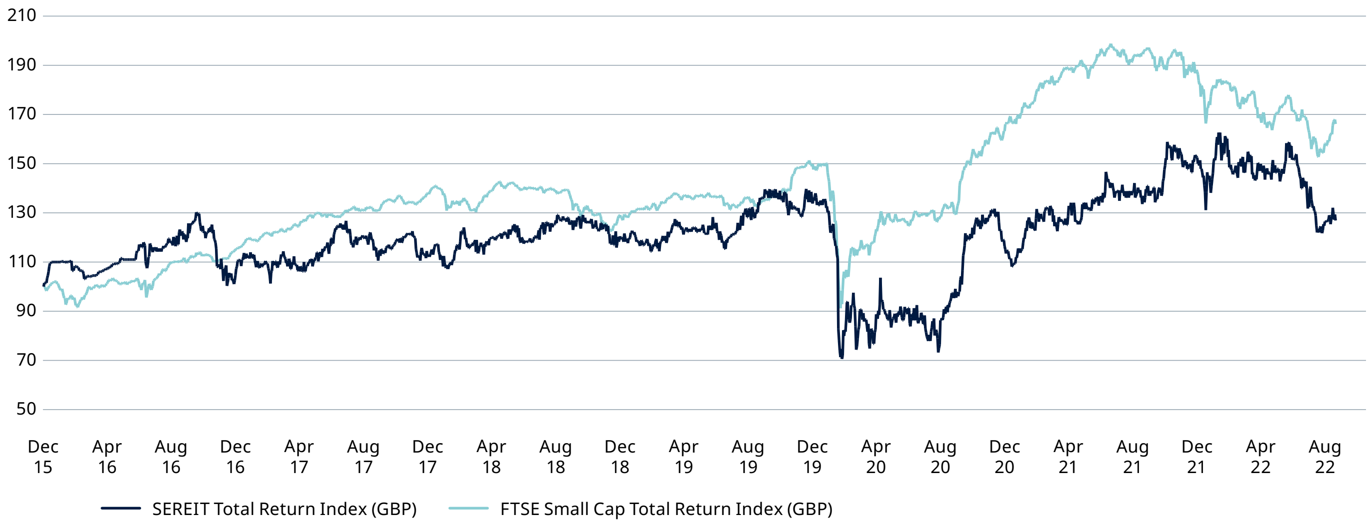
The information in the above table has been audited.

Statement of implementation of Remuneration Policy in respect of the financial year ending 30 September 2023

The Committee will, as usual, review Directors' fees during 2023, including the time required to be committed to the business of the Company, and will consider whether any further changes to remuneration are required.

Directors' Remuneration Report
Continued

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.



Source: Thomson Reuters Datastream

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 10 pence each, at the beginning and end of the financial year under review are set out below.

Director	**At 30 September 2022**	At 1 October 2021
Sir Julian Berney Bt.	**19,840**	19,840
Jonathan Thompson	**25,469**	25,469
Mark Patterson	**10,000**	10,000
Elizabeth Edwards	**–**	–

The information in the above table reflects the number of shares held and has been audited.

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

On behalf of the Board

Sir Julian Berney Bt.
Chairman

5 December 2022

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and the Company financial statements in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law, 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed for the Group financial statements and UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors 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 Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's 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 comply with the Companies Act 2006.

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

Directors' confirmations

The Directors consider that 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.

Each of the Directors, whose names and functions are listed in the Directors' Report confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Company financial statements, which have been prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

On behalf of the Board

Sir Julian Berney Bt.
Chairman

5 December 2022

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 2022 and of the group's and company's profit and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company Statements of Financial Position as at 30 September 2022; the Consolidated and Company Statements of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, and the Consolidated and Company Statements of Cash Flows 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, Valuation and Risk 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.

Other than those disclosed in note 7 of the financial statements, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Overview

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 and property companies and the Dutch and German property companies, and PwC France, who performed the audit of the French holding and property companies.
- Taken together, the entities in the scope of the audit accounted for over 98% of the Group's profit and assets.

Key audit matters

- Valuation of investment properties (group)
- Impairment assessment of investments in and loans to subsidiaries (parent)

Materiality

- Overall group materiality: 2.70m EUR (2021: 2.80m EUR) based on 1% of total assets.
- Specific group materiality: 0.82m EUR (2021: 0.39m EUR) based on 5% of Profit before tax.
- Overall company materiality: 1.57m EUR (2021: 1.80m EUR) based on 1% of total assets.
- Performance materiality: 2.02m EUR (2021: 2.09m EUR) (group) and 1.18m EUR (2021: 1.42m EUR) (company).

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.

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.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties (group) Refer to the Audit, Valuation and Risk Committee Report, Notes to the Financial Statements – Note 13 Investment property and Note 1 Significant accounting policies. Investment property is the most significant balance in the consolidated statement of financial position. At 30 September 2022, the Group owned a portfolio of 15 properties, covering the retail, office and industrial sectors in Germany, France and the Netherlands. The methodology applied in determining the valuations is set out in Note 13 to the financial statements. The total property portfolio valuation for the Group was 217.5m EUR as at 30 September 2022. The property portfolio was valued by Knight Frank LLP (the 'Valuers'), a third party valuation firm, as at 30 September 2022. The Valuers used have considerable experience of the markets in which the Group operates. In determining the valuation of a property, the Valuers take into account property-specific information such as the current tenancy agreements and rental income. They apply assumptions for yields and estimated market rent, which are influenced by prevailing market yields and comparable market transactions, to arrive at the final valuation. The valuation of the Group's property portfolio was identified as a key audit matter given the valuation is inherently subjective due to, among other factors, the individual nature of each property, its location, and the expected future rental streams for that particular property. The economic challenges currently facing the real estate occupier and investor markets further contributed to the subjectivity for the year ended 30 September 2022. The significance of the estimates and judgements involved, coupled with the fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material misstatement, warranted specific audit focus in this area. The estimates affecting the valuations included estimated yields and estimated rental value (as described in Note 13 of the financial statements).	We obtained a listing of all investment properties included within the portfolio, confirming any properties acquired in the year to sales purchase agreements. We assessed the competence, capabilities and objectivity of Knight Frank LLP (the 'Valuers'), the third party valuers used by management to value the investment property portfolio as at 30 September 2022. The Valuers are a well-known firm with considerable experience of the Group's market. We assessed the competence and capabilities of Knight Frank LLP and checked their qualifications. Based on this work, we are satisfied that the firm remains competent and that the scope of their work was appropriate. We assessed the assumptions and estimates used by the Valuer. We obtained details of each property held by the Group and set an expected range for yield and capital value movements, 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. We determined, based on our expertise and experience, that the valuation approach for each was in accordance with Royal Institute of Chartered Surveyors (RICS) Valuation – Professional Standards guidance and applied to the Financial Statements in accordance with IAS 40. We compared the investment yields used by the Valuers with our 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. Our work covered the valuation of each property. We met with the Valuers to understand and challenge their approach , the key assumptions and their rationale behind the more significant valuation movements during the year. We also enquired of the Valuers as to how their valuations reflected the impact of climate change. Where assumptions were outside our 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 the 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. Our testing, which involved the use of our internal real estate valuation experts indicated that the estimates and assumptions used were appropriate and reflected the circumstances of the market at the year end. We performed testing on the standing data used in relation to the valuation of the property portfolio. We carried out procedures, on a sample basis, to satisfy ourselves of the accuracy of the property information supplied to the Valuers by management. We considered the adequacy of the disclosures made in Note 1 (Significant accounting policies – Use of estimates and judgements) and Note 13 (Investment property) of the consolidated financial statements. Overall, we concluded that the assumptions used in the valuations by the Valuers were supportable in light of the evidence obtained and the disclosures in relation to investment property within the financial statements are sufficient and appropriate.

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of investments in and loans to subsidiaries (parent) Refer to Note 15 (Investments in subsidiaries) and Note 17 (Trade and other receivables) of the Financial Statements The Company holds investments in subsidiaries of 61.4m EUR (2021 61.4m EUR), and loans to subsidiaries of 85.6m EUR (2021 85.6m EUR). Whilst these eliminate on consolidation in the Group financial statements, they are recorded in the Company financial statements. The impairment assessment of the parent company's investments in and loans to subsidiaries was identified as a key audit matter given the assessment is impacted by the key judgements made in relation to the underlying valuation of investment property held by the subsidiaries. Management concluded that no impairment was required in 2022 (2021: impairment of 7.3m EUR).	We obtained management's impairment assessment for the recoverability of investments in and loans to subsidiaries as at 30 September 2022. We assessed the accounting policy for investments and loans in subsidiaries to ensure they were compliant with IFRS. We verified that the methodology used by the management in arriving at the carrying value of each subsidiary, and the expected credit loss for intercompany receivables, was compliant with IFRS. We performed testing over management's impairment calculation and validated its mathematical accuracy. We identified the key judgement within the requirement for impairment of both the investments and loans to subsidiaries and investments in joint ventures to be the underlying valuation of investment property held by the subsidiaries and joint ventures. For details of our procedures over investment property valuations please refer to the related Group key audit matter above. We have no issues to report in respect of our work over impairment and recoverability of loans.

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.

Schroder European Real Estate Investment Trust plc consolidates SEREIT Holdings S.a.r.l, OPPCI SEREIT France, SEREIT Holdings France SAS (SIIC) and SEREIT (Jersey) Limited. The group holds 15 properties across France, Germany and the Netherlands, as well as an investment in a 50/50 joint venture in Spain. These properties are held in 11 separate entities in Luxembourg and France. The Dutch and German subsidiaries are consolidated into SEREIT Holdings S.a.r.l. The French subsidiaries are consolidated into OPPCI SEREIT France and SEREIT Holdings France SAS (SIIC). The accounting for the French and Luxembourg sub-groups are performed in the UK. The group consolidation is also performed in the UK.

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 at PwC Luxembourg, who performed the audit of the Luxembourg holding and property companies and German and Dutch property companies, and PwC France, who performed the audit of the French holding and property companies. Throughout the audit process, the group audit team has had regular interactions with the component audit teams to oversee the audit process and has also performed a review of component working papers. The audit of the Company financial statements was performed entirely by the group audit team in the UK.

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:

	Financial statements – group	Financial statements – company
Overall materiality	2.70m EUR (2021: 2.80m EUR).	1.57m EUR (2021: 1.80m EUR).
How we determined it	1% of total assets	1% of total assets
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, a number of key performance indicators of the Group are driven by the statement of comprehensive income items and we therefore also applied a lower specific materiality for testing income statement balances and related balance sheet items except for the net valuation gain on investment property and derivatives which are tested using the overall materiality.	The Company is a holding company for the property holding companies and does not have revenue. Its biggest asset is its investment in subsidiaries. It has a primary aim of creating capital gains and investment yield, and therefore its primary driver is total assets.

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 €340,000 and €2,500,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to 2.02m EUR (2021: 2.09m EUR) for the group financial statements and 1.18m EUR (2021: 1.42m EUR) for the company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit, Valuation and Risk Committee that we would report to them misstatements identified during our audit above €135,000 (group audit) (2021: €139,000) and €94,350 (company audit) (2021: €81,900) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- Corroborated key assumptions (eg liquidity forecasts and financing arrangements) to underlying documentation and ensured this was consistent with our audit work in these areas;
- Understood and assessed the appropriateness of the key assumptions used both in the base case and in the downside scenario, including assessing whether we considered the downside sensitivities to be appropriately severe;
- Tested the integrity of the underlying formulas and calculations within the going concern and cash flow models;
- Considered the appropriateness of the mitigating actions available to management in the event of the downside scenario materialising. Specifically, we focused on whether these actions are within the Group's control and are achievable; and
- Reviewed the disclosures provided relating to the going concern basis of preparation and found that these provided an explanation of the directors' assessment that was consistent with the evidence we obtained.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this 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, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. 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 and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

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

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 30 September 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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 Directors' Report.

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.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Directors' Report is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit, Valuation and Risk Committee.

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

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, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to compliance with section 1158 of the Corporation Tax Act 2010, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue and management bias in accounting estimates and judgemental areas of the financial statements such as the valuation of investment properties. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Understanding of management's internal controls designed to prevent and detect irregularities;
- Reviewing relevant meeting minutes, including those of the Board of Directors;
- Review of tax compliance with the involvement of our tax specialists in the audit, as required;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing of expenses;
- Challenging assumptions and judgements made by management in their significant areas of estimation particularly in relation to the valuation of investment properties; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations and year end consolidation journal entries.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected. 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 obtained 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, Valuation and Risk Committee, we were appointed by the members 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 7 years, covering the years ended 30 September 2016 to 30 September 2022.

Other matter

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Saira Choudhry (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
5 December 2022

Consolidated and Company Statements of Comprehensive Income

For the year ended 30 September 2022

	Note	**Group year to 30/09/22 €'000**	Group year to 30/09/21 €'000	**Company year to 30/09/22 €'000**	Company year to 30/09/21 €'000
Rental and service charge income	3	**18,153**	16,921	**–**	–
Property operating expenses	4	**(5,516)**	(3,887)	**–**	–
Net rental and related income		**12,637**	13,034	**–**	–
Net gain from fair value adjustment on investment property	13	**6,351**	8,573	**–**	–
Development revenue	14	**17,942**	9,806	**–**	–
Development expense	14	**(15,436)**	(8,265)	**–**	–
Realised gain/(loss) on foreign exchange		**77**	(3)	**77**	(3)
Net change in fair value of financial instruments at fair value through profit or loss		**921**	(7)	**–**	–
Management fee income	5	**–**	–	**1,623**	1,690
Provision of loan made to Seville joint venture	6	**(444)**	(8,471)	**–**	–
Provision of investment made in subsidiaries	15	**–**	–	**–**	(7,279)
Dividends received	8,16	**–**	–	**1,100**	33,121
Profit on disposal of shares in subsidiary		**–**	–	**–**	25
Expenses					
Investment management fee	5	**(2,198)**	(2,181)	**(2,198)**	(2,181)
Valuers' and other professional fees		**(981)**	(714)	**(495)**	(306)
Administrator's and accounting fees		**(453)**	(410)	**(128)**	(193)
Auditors' remuneration and assurance fees	7	**(333)**	(391)	**(313)**	(356)
Directors' fees	9	**(217)**	(180)	**(217)**	(180)
Other expenses	9	**(613)**	(616)	**(312)**	(252)
Total expenses		**(4,795)**	(4,492)	**(3,663)**	(3,468)
Operating profit		**17,253**	10,175	**(863)**	24,086
Finance income		**451**	447	**1,851**	1,748
Finance costs		**(1,128)**	(1,209)	**(6)**	–
Net finance (costs)/income		**(677)**	(762)	**1,845**	1,748
Share of loss from joint venture	16	**–**	(60)	**–**	–
Profit before taxation		**16,576**	9,353	**982**	25,834
Taxation	10	**(2,585)**	(3,116)	**(242)**	(131)
Profit for the year		**13,991**	6,237	**740**	25,703
Other comprehensive (loss)/income:					
Other comprehensive (loss)/income items that may be reclassified to profit or loss:					
Currency translation differences		**(73)**	1	**(73)**	1
Total other comprehensive (loss)/profit		**(73)**	1	**(73)**	1
Total comprehensive income for the year		**13,918**	6,238	**667**	25,704
Basic and diluted earnings per share attributable to owners of the parent	11	**10.4c**	4.7c	**–**	–

All items in the above statement are derived from continuing operations. The accompanying notes 1 to 28 form an integral part of the financial statements.

Consolidated and Company Statements of Financial Position

As at 30 September 2022

	Note	**Group 30/09/22 €'000**	Group 30/09/21 €'000	**Company 30/09/22 €'000**	Company 30/09/21 €'000
Assets					
Non-current assets					
Investment property	13	**217,456**	199,727	**–**	–
Investment in subsidiaries	15	**–**	–	**61,386**	61,386
Investment in joint venture	16	**–**	–	**–**	–
Loans to joint ventures	6,16	**–**	–	**–**	–
Non-current assets		**217,456**	199,727	**61,386**	61,386
Current assets					
Trade and other receivables	17	**16,680**	34,642	**85,701**	86,234
Interest rate derivative contracts		**934**	14	**–**	–
Cash and cash equivalents		**34,324**	45,717	**10,039**	33,891
Current assets		**51,938**	80,373	**95,740**	120,125
Total assets		**269,394**	280,100	**157,126**	181,511
Equity					
Share capital	18	**17,966**	17,966	**17,966**	17,966
Share premium	18	**43,005**	43,005	**43,005**	43,005
Retained earnings/(accumulated losses)		**10,662**	21,878	**(22,165)**	2,302
Other reserves		**116,610**	116,683	**116,843**	116,916
Total equity		**188,243**	199,532	**155,649**	180,189
Liabilities					
Non-current liabilities					
Interest-bearing loans and borrowings	19	**41,794**	68,589	**–**	–
Deferred tax liability	10	**5,124**	3,844	**–**	–
Non-current liabilities		**46,918**	72,433	**–**	–
Current liabilities					
Interest-bearing loans and borrowings	19	**26,950**	–	**–**	–
Trade and other payables	20	**5,857**	7,545	**1,477**	1,322
Current tax liabilities	10	**1,426**	590	**–**	–
Current liabilities		**34,233**	8,135	**1,477**	1,322
Total liabilities		**81,151**	80,568	**1,477**	1,322
Total equity and liabilities		**269,394**	280,100	**157,126**	181,511
Net asset value per ordinary share	21	**140.8c**	149.2c	**116.4c**	134.7c

The financial statements on pages 54 to 57 were approved at a meeting of the Board of Directors held on 5 December 2022 and signed on its behalf by:

Sir Julian Berney Bt.
Chairman

The accompanying notes 1 to 28 form an integral part of the financial statements.

Registered in England and Wales as a public company limited by shares
Company registration number: 09382477

Consolidated and Company Statements of Changes in Equity

For the year ended 30 September 2022

Group	Note	Share capital €'000	Share premium €'000	(Accumulated losses)/ Retained earnings €'000	Other reserves €'000	Total equity €'000
Balance as at 1 October 2020		**17,966**	**43,005**	**24,173**	**116,682**	**201,826**
Profit for the year		–	–	6,237	–	6,237
Other comprehensive income for the year		–	–	–	1	1
Dividends paid	12	–	–	(8,532)	–	(8,532)
Balance as at 30 September 2021		**17,966**	**43,005**	**21,878**	**116,683**	**199,532**
Profit for the year		**–**	**–**	**13,991**	**–**	**13,991**
Other comprehensive loss for the year		**–**	**–**	**–**	**(73)**	**(73)**
Dividends paid	12	**–**	**–**	**(25,207)**	**–**	**(25,207)**
Balance as at 30 September 2022		**17,966**	**43,005**	**10,662**	**116,610**	**188,243**

Company	Note	Share capital €'000	Share premium €'000	(Accumulated losses)/ Retained earnings[1] €'000	Other reserves[1] €'000	Total equity €'000
Balance as at 1 October 2020		**17,966**	**43,005**	**(14,869)**	**116,915**	**163,017**
Profit for the year		–	–	25,703	–	25,703
Other comprehensive income for the year		–	–	–	1	1
Dividends paid	12	–	–	(8,532)	–	(8,532)
Balance as at 30 September 2021		17,966	43,005	2,302	116,916	180,189
Profit for the year		**–**	**–**	**740**		**740**
Other comprehensive loss for the year		**–**	**–**	**–**	**(73)**	**(73)**
Dividends paid	**12**	**–**	**–**	**(25,207)**	**–**	**(25,207)**
Balance as at 30 September 2022		**17,966**	**43,005**	**(22,165)**	**116,843**	**155,649**

1 These reserves form the distributable reserves of the Company (excluding any accumulated, unrealised profits) and may be used to fund distribution of profits to investors via dividend payments. See note 1 for further detail.

The accompanying notes 1 to 28 form an integral part of the financial statements.

Consolidated and Company Statements of Cash Flows

For the year ended 30 September 2022

	Note	Group 30/09/22 €'000	Group 30/09/21 €'000	Company 30/09/22 €'000	Company 30/09/21 €'000
Operating activities					
Profit before tax for the year		**16,576**	9,353	**982**	25,834
Adjustments for:					
Profit on disposal of shares in subsidiary		**–**	–	**–**	(25)
Net gain from fair value adjustment on investment property	13	**(6,351)**	(8,573)	**–**	–
Share of loss of joint venture	16	**–**	60	**–**	–
Realised foreign exchange loss		**(77)**	3	**(77)**	3
Provision of loan made to Seville joint venture	6	**444**	8,471	**–**	–
Provision of investment made in subsidiaries	15	**–**	–	**–**	7,279
Finance income		**(451)**	(447)	**(1,852)**	(1,748)
Finance costs		**1,128**	1,209	**6**	–
Net change in fair value of financial instruments through profit or loss		**(921)**	7	**–**	–
Operating cash generated from/ (used in) before changes in working capital		**10,348**	10,083	**(941)**	31,343
Decrease/(increase) in trade and other receivables		**958**	(10,896)	**616**	(836)
Increase/(decrease) in trade and other payables		**324**	(1,353)	**157**	464
Cash generated from/(used in) operations		**11,630**	(2,166)	**(168)**	30,971
Finance costs paid		**(897)**	(993)	**–**	–
Finance income received		**8**	2	**1,042**	1,690
Tax paid		**(469)**	(596)	**(242)**	(131)
Net cash generated from/(used in) operating activities		**10,272**	(3,753)	**632**	32,530
Investing activities					
Proceeds from sale of investment property	14	**16,900**	52,929	**–**	–
Acquisition of investment property	13	**(10,824)**	(8,750)	**–**	–
Additions to investment property	13	**(698)**	(5,990)	**–**	–
Divestment in subsidiaries	15	**–**	–	**–**	40,129
Loans to subsidiary companies		**–**	–	**(9,585)**	(34,202)
Loan repayment from subsidiary company		**–**	–	**10,310**	–
Investment in joint venture	16	**–**	(60)	**–**	–
Net cash generated from investing activities		**5,378**	38,129	**725**	5,927
Financing activities					
Repayment of loan facility drawdown		**(1,840)**	–	**–**	–
Proceeds from borrowings	19,20	**–**	1,840	**–**	–
Interest paid		**–**	–	**(6)**	–
Dividends paid	12	**(25,207)**	(8,532)	**(25,207)**	(8,532)
Net cash used in financing activities		**(27,047)**	(6,692)	**(25,213)**	(8,532)
Net (decrease)/increase in cash and cash equivalents for the year		**(11,397)**	27,684	**(23,856)**	29,925
Opening cash and cash equivalents		**45,717**	18,035	**33,891**	3,968
Effects of exchange rate change on cash		**4**	(2)	**4**	(2)
Closing cash and cash equivalents		**34,324**	45,717	**10,039**	33,891

The accompanying notes 1 to 28 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 the United Kingdom. The consolidated financial statements of the Company for the year ended 30 September 2022 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 JSE Limited (secondary listing). The registered office of the Company is 1 London Wall Place, London, England EC2Y 5AU.

Statement of compliance
The consolidated financial statements of the Group have been prepared under the UK- adopted 'International Accounting Standards in conformity 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
Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and the Company financial statements in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006.

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: the ability to refinance certain third-party loans in 2023 with due consideration of both cash held and the liquidity of assets; forward-looking compliance with third-party debt covenants, in particular the loan to value covenant and interest cover ratios; the payment of contingent tax liabilities; potential falls in property valuations; the non-collection of rent and service charges; and the existing and future expected cash requirements of the Group.

Furthermore, the ongoing war in Ukraine, and macroeconomic variables such as rising interest rates and inflation, have also been considered regarding the Group's property investments in France, Germany, Spain and the Netherlands.

Cash flow forecasts, based on plausible downside scenarios, have led the Board to conclude that the Group will have sufficient cash reserves to continue in operation for 12 months from the date of signing the Annual Report.

The Group has seven loans secured by individual assets, with no cross-collateralisation. All loans are in compliance with their default covenants, though there is a cash trap in operation and LTV breach for the Seville loan. More details of the individual loans, and headroom on the loan to value and net income default covenants, is provided on page 71. Three loans totalling €27 million fall due for repayment in 2023. Although the Group has firm plans to refinance some of these loans, the Group has considered in its plausible downside scenario whereby refinancing is not possible and therefore all three loans need to be repaid out of cash reserves with there being sufficient cash to do so if required.

After due consideration, 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 12 months from the date of the approval of the consolidated annual report and 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 under the UK adopted international accounting standards, in conformity with the Companies Act 2006, 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, as disclosed in note 13, including those within joint ventures, which are stated at fair value. The fair value of investment property is inherently subjective because the valuer makes assumptions which may not prove to be accurate. The Group uses an external professional valuer to determine the relevant amounts.

1. Significant accounting policies continued
The following are deemed to be the other key areas of judgement:

- Accounting for development revenue and variable consideration regarding Paris, Boulogne-Billancourt: When estimating an appropriate level of development revenue to be recognised in the reporting period, the Group considered the contractual penalties of not meeting certain criteria within the agreement; the total development costs incurred; the stage of completion of the refurbishment; the milestones achieved and still to be achieved; the timing of further future cash receipts from the purchaser; and the overall general development risk to form a considered judgement of revenue to be appropriately recognised in the financial statements. Further details of the estimated variable consideration are disclosed in note 14.
- Tax provisioning and disclosure: Management uses external tax advisers to monitor changes in tax laws in countries where the Group has operations. New tax laws that have been substantively enacted are recognised in the Group's and Company's financial statements. Where changes to tax laws give rise to a contingent liability, the Group discloses these appropriately within the notes to the financial statements (further details are disclosed in note 10).
- IFRS 9 expected credit losses: IFRS 9 became effective for accounting periods of entities beginning on or after 1 January 2018 and requires an impairment review to be made for certain financial assets held on the Group and Company's balance sheet using a forward-looking expected credit loss model. All receivables, inter-company and joint venture loans are considered to be such financial assets and must therefore be assessed at each reporting period for potential impairment. Where any impairment is required to be made, appropriate recognition is required in the consolidated statement of comprehensive income, together with appropriate disclosure and sensitivity analysis in the notes to the financial statements (further details are disclosed in note 6). The Seville joint venture loan has been calculated on the lifetime expected credit loss method. The following factors were considered when determining the probability of default used for the impairment provision calculation for the Seville joint venture loan: the property valuation and future potential movements; that there is an LTV breach and a cash trap in place; cash flow forecasts; the longer term effects of the prior lockdown measures in Spain on tenants and their trading; and rent collection rates. An evaluation of these factors has allowed management to make a judgement on the probability of default which is considered to be the key input for the impairment calculation. These estimates and judgements were also considered within the impairment in the investments held in subsidiaries for the parent company.

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 is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. 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 is treated as an asset acquisition.

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 comprehensive income, statement of changes in equity and balance sheet respectively.

Joint arrangements
Under IFRS 11, Joint Arrangements, the Group'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 statement of financial position.

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.

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.

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

Acquisitions and disposals are recognised on an 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.

Notes to the Financial Statements
Continued

1. Significant accounting policies continued
After initial recognition, investment properties are measured at fair value with unrealised gains and losses recognised in profit or loss. Realised gains and losses on the disposal of properties are recognised in profit and loss in relation to the carrying value at the beginning of the accounting period. 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 23, the Group leases out all owned properties on operating leases which are 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.

Please refer to note 13 for disclosure of key inputs, assumptions and sensitivities with respect to the fair valuation of investment properties.

Prepayments
Prepayments are carried at cost less any accumulated impairment losses.

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. Rental income, including prepayments, received under operating leases (net of any incentives granted by the lessor) are recognised in the statement of comprehensive income on a straight-line basis over the period of the lease. Properties leased out under operating leases are included as investment properties in the consolidated statement of financial position (note 13).

Financial assets and liabilities
Non-derivative financial assets and liabilities
Non-derivative financial assets and liabilities comprise trade and other receivables, loans to joint venture, cash and cash equivalents, loans and borrowings, and trade and other payables. These are initially recognised at fair value and subsequently measured at amortised cost and discounted as appropriate. On initial recognition the Group calculates the expected credit loss for non-derivative assets and liabilities based on lifetime expected credit losses under the IFRS 9 simplified approach.

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.

Loans and borrowings
Borrowings are recognised initially at the 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.

Borrowing costs such as arrangement fees are capitalised and amortised over the loan term.

Derivative financial assets and liabilities
Derivative financial assets and liabilities comprise interest rate caps for hedging purposes (economic hedge). These are initially recognised at cost and subsequently revalued at fair value, with the revaluation gains or losses immediately recorded in the statement of comprehensive income.

Share capital
Ordinary shares, including treasury shares, are classified as equity when there is no obligation to transfer cash or other assets. The Company's accounting policy is to fix the share capital at the spot rate at the date of issue, in accordance with IAS 21. The Company does not retranslate its share capital at the end of each reporting period.

Share premium
Share premium represents the excess of proceeds received over the nominal value of new shares issued. The Company's accounting policy is to fix the share premium at the spot rate at the date of issue, in accordance with IAS 21. The Company does not retranslate its share premium at the end of each reporting period.

Other reserves
Other reserves mainly consist of a share premium reduction reserve arising from the conversion of share premium into a distributable reserve.

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.

1. Significant accounting policies continued

Impairment

Non-financial assets

The carrying amounts of the Group's and Company's non-financial assets, other than investment property but including joint ventures and investments held in subsidiaries, 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.

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.

Where a rent incentive fits the definition of a lease modification under IFRS 16, the cost of incentives is recognised over the remaining lease term starting from the effective date of the lease modification, on a straight-line basis, as a reduction of rental income.

Revenue from forward funded sale contracts

Performance obligations of such contracts with a counterparty are identified at source.

The transaction price for the sale of the asset is determined with regard to the deemed fair value of the asset at the date of the transfer of the legal title to the purchaser.

Where a development obligation includes variable revenue, consideration is given to the sum of any contractual penalties; the percentage of the total development cost incurred and the stage of completion; the milestones successfully achieved and the likelihood of meeting further future milestones; the timing of future contractual receipts; and the wider overall risks attributable to the development at the end of the reporting period. A percentage of the total development revenue is then calculated with regard to these factors and recognised in the financial statements.

For specific further details with regards to the Paris, Boulogne-Billancourt forward funded sale agreement, see note 14.

Surrender premium income

Surrender premium income is recognised as revenue upon receipt.

Service charges

These include income in relation to service charges, directly recoverable expenditure and management fees. Revenue from providing services is recognised in the accounting period in which the services are rendered. Revenue from services is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided and recognised over time.

Finance income and costs

Finance income comprises interest income on funds invested that are recognised in the statement of comprehensive income. Finance income is recognised on an accruals basis.

Finance costs comprise interest expenses on borrowings that are recognised in the statement of comprehensive income. 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 the statement of comprehensive income 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.

Notes to the Financial Statements
Continued

1. Significant accounting policies continued
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.

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.

Environmental, Social and Governance factors
The Group has incorporated Environmental, Social and Governance ('ESG') objectives into its core investment strategy and at every stage of the investment process. It has clearly defined its social and environmental targets into distinct categories, for which each has clear and measurable impact objectives.

The Group has the potential to implement a sustainability initiative on the Apeldoorn investment. Subject to the tenants' occupancy requirements, the Group will be looking to invest in the asset, substantially enhancing the sustainability rating and overall institutional appeal. Successful implementation of this has the potential for value creation whilst enhancing the investment's liquidity. There is no provision or contingent liability in the consolidated financial statements for this investment given there is no constructive or legal obligation for the Group to complete these initiatives.

On other assets in the portfolio, the valuers have taken certain ESG and climate change considerations into their valuations and this has been discussed in more detail in note 13.

2. New standards and interpretations
New standards and interpretations adopted by the Group
New standards, amendments or interpretations, effective for the first time for financial years beginning on or after 1 January 2022, have not had a material impact on the Group or Company.

There are no new standards or amendments which have been applied for the first time for its annual reporting period commencing 1 October 2021.

3. Rental and service charge income

	Group 30/09/2022 €'000	Group 30/09/2021 €'000	**Company 30/09/2022 €'000**	Company 30/09/2021 €'000
Rental income	**14,528**	13,264	**–**	–
Service charge income	**3,625**	3,657	**–**	–
	18,153	16,921	**–**	–

4. Property operating expenses

	Group 30/09/2022 €'000	Group 30/09/2021 €'000	Company 30/09/2022 €'000	Company 30/09/2021 €'000
Repairs and maintenance	**2,229**	1,471	**–**	–
Service charge, insurance and utilities on vacant units	**1,427**	702	**–**	–
Real estate taxes	**1,326**	1,295	**–**	–
Property management fees	**285**	244	**–**	–
Other	**249**	175	**–**	–
	5,516	3,887	**–**	–

All the above amounts relate to service charge expenses which are all recoverable except for €1,174,000 (2021: €230,000).

5. 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 12th of the aggregate of 1.1% of the EPRA NAV of the Group. The Investment Management Agreement can be terminated by either party on not less than 12 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 €2,198,000 (2021: €2,181,000). At the year end €717,000 (2021: €706,000) was outstanding.

SREIM provides accounting services to the Group with a minimum contracted annual charge of €81,000 (£70,000). The total charge to the Group was €112,000 (2021: €110,000). These are included in Administrator's and accounting fees in the consolidated statement of comprehensive income. At the year end €35,000 (2021: €25,000) was outstanding.

SREIM provides administrative and company secretarial services to the Group with a contracted annual charge of €58,000 (£50,000). The total charge to the Group was €58,000 (2021: €58,000). These are included in Administrator's and accounting fees in the consolidated statement of comprehensive income. At the year end €19,000 (2021: €19,000) was outstanding.

Details of Directors' fees are disclosed in note 9.

Details of loans to Urban SEREIT Holdings Spain S.L., a related party, are disclosed in note 16.

The Company received management fees of €1,623,000 (2021: €1,690,000) from subsidiary companies during the year. The amounts recharged to subsidiaries and outstanding are provided in the following table.

	Fees recharged in the year to 30 September €'000		Fees outstanding as at 30 September €'000	
Subsidiary	**2022**	2021	**2022**	2021
SCI SEREIT Rumilly	**58**	62	**29**	31
SAS Clarity Developpement	**428**	468	**212**	236
SEREIT Berlin DIY Sàrl	**172**	182	**86**	90
SEREIT Hamburg Sàrl	**138**	135	**70**	99
SEREIT Stuttgart Sàrl	**119**	123	**60**	63
SEREIT Frankfurt Sàrl	**63**	72	**32**	35
SCI SEREIT Directoire	**228**	260	**113**	128
SEREIT Apeldoorn Sàrl	**95**	118	**47**	57
SEREIT UV Sàrl	**132**	141	**66**	70
SCI SEREIT Pleudihen	**114**	120	**58**	59
SCI SEREIT Nantes	**33**	9	**18**	9
SCI LC Invest	**23**	–	**23**	–
SEREIT Holdings S.a.r.l	**20**	–	**11**	–
Total	**1,623**	1,690	**825**	877

Notes to the Financial Statements
Continued

6. Provision of loan made to Seville joint venture
As at 30 September 2022 the Group owned 50% of the Metromar JV, which owns a shopping centre in Seville, and had advanced €10,000,000 as a loan and was owed interest of €1,544,000 (2021: €1,100,000). The loan carries a fixed interest rate of 4.37% per annum payable quarterly and matures in April 2024.

When considering an appropriate level of impairment, deemed to be a significant judgement, the Company primarily considered: the property valuation and future potential movements; debt covenant breaches; cash flow forecasts; the longer term effects of the prior lockdown measures in Spain on tenants and their trading; and rent collection rates.

A default rate of 100% has been applied to the above loan and unpaid interest at year end. The impairment provision booked during the year was €444,000 (2021: €8,471,000) bringing the cumulative impairment to €11,537,000 and the Group's investment with regard to Seville now stands at €Nil (2021: €Nil)

7. Auditors' remuneration and assurance fees
The Group's total audit fees for the year are €330,000 (2021: €340,000) which includes the Group audit and the individual statutory audits. The Company's total audit fees for the year were €289,000 (2021: €303,000) which only covers the Group audit.

The interim review fee was €51,500 (2021: €51,000) which is an assurance related non-audit service and is included in the total Auditors' remuneration for the year. The auditors did not perform any other non-audit services for the Group during the year (2021: €Nil).

8. Dividends received
During the year the Group did not receive any dividends from its joint venture operation Urban SEREIT Holdings Spain S.L. (2021: €Nil) (see note 15).

During the year the Company received dividends from its subsidiary undertakings. €1,100,000 (2021: €30,385,000) from OPPCI SEREIT France, €Nil (2021: €2,735,000) was received from SEREIT Holdings Sàrl and €Nil (2021: €1,000) from SCI SEREIT Directoire.

9. Other expenses

	Group 30/09/2022 €'000	Group 30/09/2021 €'000	**Company 30/09/2022 €'000**	Company 30/09/2021 €'000
Directors' and officers' insurance premium	**20**	23	**20**	23
Bank charges	**156**	200	**28**	18
Regulatory costs	**72**	75	**53**	48
Marketing	**59**	48	**59**	48
Other expenses	**306**	270	**152**	115
	613	616	**312**	252

Directors are the only officers of the Company and there are no other key personnel. The Group has one employee; for further details see note 27. The Directors' annual remuneration for services to the Group was €198,375 (2021: €156,882), as set out in the Directors' Remuneration Report on pages 44 to 46. The total charge for Directors' fees was €217,000 (2021: €180,000), which included employer's National Insurance contributions.

10. Taxation

	30/09/2022 €'000	30/09/2021 €'000
Current tax charge	**1,305**	1,196
Deferred tax charge	**1,280**	1,920
Tax expense in year	**2,585**	3,116
Reconciliation of effective tax rate		
Profit before taxation	**16,576**	9,353
Effect of:		
Tax charge at weighted average corporation tax rate of 23.40% (2021: 16.49%)	**3,877**	1,542
Tax exempt income	**(1,482)**	(990)
Tax adjustment on net revaluation loss	**375**	794
Current year loss for which no deferred tax is recognised	**15**	394
Tax adjustment of share of joint venture loss	**744**	1,793
Minimum Luxembourg tax charges	**65**	46
Tax effect of property depreciation	**(999)**	(302)
Timing differences	**(73)**	(243)
Other permanent differences	**63**	82
Total tax expense in the year	**2,585**	3,116

10. Taxation continued

The effective tax rate is a weighted average of the applicable tax rates in the countries the Group has operations. A potential deferred tax asset of €845,000 (2021: €394,000) arose on tax losses which has not been provided for.

SEREIT Plc has elected to be treated as a société d'investissement immobilier cotée ("SIIC") for French tax purposes. Provided that SEREIT Plc meets certain requirements, the SIIC should be exempt from French CIT on net rental income and gains arising from interests in property. Management intends that the Group will continue to comply with the SIIC regulations for the foreseeable future.

The Group operates in a number of jurisdictions and is subject to periodic challenges by local tax authorities on a range of tax matters during the normal course of business. The tax impact can be uncertain until a conclusion is reached with the relevant tax authority or through a legal process. The Group addresses this uncertainty by closely monitoring tax developments, seeking independent advice and maintaining transparency with the authorities it deals with as and when any enquiries are made. As a result of its monitoring, the Group has identified a potential tax exposure attributable to the ongoing applicability of tax treatments adopted in respect of the Group's tax structures. The range of potential outcomes is a possible outflow of minimum £nil and maximum £9.3 million (excluding possible interest and penalties). The Directors have not provided for this amount because they do not believe an outflow is probable.

11. Earnings per share

Basic earnings per share

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

	30/09/2022	30/09/2021
Total comprehensive income for the year	**€13,918,000**	€6,237,000
Weighted average number of ordinary shares in issue	**133,734,686**	133,734,686
Basic earnings per share (cents per share)	**10.4**	4.7

Diluted earnings per share

The Group has no dilutive potential ordinary shares and hence the diluted earnings per share is the same as the basic earnings per share in both 2021 and 2022.

Headline earnings per share

The headline earnings and diluted headline earnings for the Group is 4.5 euro cents per share (2021: 4.9 euro cents per share) as detailed on page 78.

12. Dividends paid

Interim and special dividends of €25,207,000 (2021: €8,532,000) were paid to the shareholders of SEREIT Plc during the year as follows:

In respect of	**Ordinary shares**	**Rate (cents)**	**30/09/2022 €'000**
Interim dividend paid on 8 November 2021	**133,734,686**	**1.85**	**2,474**
Interim dividend paid on 14 January 2022	**133,734,686**	**1.85**	**2,474**
First special dividend paid on 14 January 2022	**133,734,686**	**4.75**	**6,352**
Interim dividend paid on 20 April 2022	**133,734,686**	**1.85**	**2,474**
Interim dividend paid on 5 August 2022	**133,734,686**	**1.85**	**2,474**
Second special dividend paid on 5 August 2022	**133,734,686**	**4.75**	**6,352**
Interim dividend paid on 30 September 2022	**133,734,686**	**1.85**	**2,474**
Final special dividend paid on 30 September 2022	**133,734,686**	**0.1**	**133**
Total interim dividends paid	**133,734,686**		**25,207**

In respect of	Ordinary shares	Rate (cents)	30/09/2021 €'000
Interim dividend paid on 23 October 2020	133,734,686	1.39	1,858
Interim dividend paid on 25 January 2021	133,734,686	1.57	2,100
Interim dividend paid on 13 April 2021	133,734,686	1.57	2,100
Interim dividend paid on 16 August 2021	133,734,686	1.85	2,474
Total interim dividends paid	133,734,686		8,532

Notes to the Financial Statements
Continued

13. Investment property

Group	€'000
Fair value as at 1 October 2020	**181,093**
Acquisitions	8,750
Acquisition costs	903
Additions	847
Net gain from fair value adjustment on investment property	8,134
Fair value as at 30 September 2021	**199,727**
Acquisitions	**9,997**
Acquisition costs	**868**
Additions	**513**
Net gain from fair value adjustment on investment property	**6,351**
Fair value as at 30 September 2022	**217,456**

In 2021 and 2022, the Group held one leasehold property. The value of the respective sectors held were as follows:

Sector	**2022 €'000**	2021 €'000
Industrial	**63,603**	57,069
Retail (including retail warehousing)	**51,049**	40,200
Offices	**102,804**	102,458
Total	**217,456**	199,727

The fair value of investment properties, as determined by the valuer, totals €218,700,000 (2021: €201,075,000) with the valuation amount relating to a 100% ownership share for all the assets in the portfolio.

None of this amount is attributable to trade or other receivables in connection with lease incentives. The fair value of investment properties per the consolidated financial statements of €217,456,000 includes a tenant incentive adjustment of €1,244,000 (30 September 2021: €1,348,000).

The net valuation gain on investment property of €6,351,000 (2021: €8,134,000) consists of net property revaluation gains of €6,472,000 (2021: €8,475,000) and a movement of the above mentioned tenant incentive adjustment of €104,000 (2021: €341,000).

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 – Global Standards November 2021, incorporating the International Valuations Standards, and RICS Professional Standards UK, November 2018 (effective January 2019).

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 an 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.

During the year, the Group acquired Venray II, a light industrial asset adjacent to the existing Venray asset for a purchase price of €1,557,000 in December 2021 and a car showroom in Cannes for a purchase price of €8,400,000 in June 2022.

The valuers take into account environmental considerations in their assessment of ERV, discount rate and capital expenditure assumptions for each asset. Some examples include:
1. Houten, Netherlands: Upgrade to HVAC, solar panel installation and LED lighting to improve the asset's sustainability profile and ensure it meets future standards. The cost of this is €1.5 million and is included in capital commitments in note 26.
2. Hamburg, Germany: A €1 million provision is included in the valuation to cover future ESG-related costs including BMS, HVAC and tenant wellbeing measures in order to continue to keep the asset relevant for occupiers.
3. Rumilly, France: Installation of smart metering and LED lighting together with a provision to improve roof waterproofing and sprinkler system.
4. St Cloud, France: The valuers have included a capital expenditure provision of €2.8 million relating to fire security enhancements and co-ownership works which will improve ESG ratings.
5. Pleudihen, France: circa €600k provision for improving ventilation, management system and ICPE certification.

None of the above amounts have been provided for in the 30 September 2022 annual accounts as there is no legal or constructive obligation to perform these works at the reporting date.

13. Investment property continued

The Group's total valuation fees for the year are €50,000 (2021: €39,000). The fee payable to Knight Frank LLP is less than 5% of its total revenue in any year.

All investment properties are categorised within Level 3 of the fair value hierarchy, 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:

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

2022		**Industrial**	**Retail (incl. retail warehouse)**	**Office**	**Total**
Fair value (€'000)[1]		**71.95**	**69.15**	**104.00**	**245.10**
Area ('000 sqm)		**86.421**	**44.433**	**54.58**	**185.434**
Net passing rent € per sqm per annum	Range Weighted average[2]	**28.81–118.10** **55.83**	**38.33–151.18** **85.66**	**103.57–145.83** **136.17**	**28.81–151.18** **98.34**
Gross ERV € per sqm per annum	Range Weighted average[2]	**40.00–104.42** **56.46**	**101.58–162.27** **129.96**	**79.93–224.34** **169.81**	**40.00–224.34** **125.29**
Net initial yield[3] (%)	Range Weighted average[2]	**4.82–8.66** **5.57**	**2.87–5.38** **4.24**	**3.34–14.42** **5.93**	**2.87–14.42** **5.35**
Equivalent yield (%)	Range Weighted average[2]	**4.50–6.68** **5.19**	**4.95–7.29** **5.87**	**3.27–12.40** **6.26**	**3.27–12.40** **5.84**

1 This table includes the joint venture investment property valued at €26.4 million which is disclosed within the summarised information within note 16 as part of total assets.
2 Weighted by market value.
3 Yields based on rents receivable after deduction of head rents and non-recoverables.

2021		Industrial	Retail (incl. retail warehouse)	Office	Total
Fair value (€'000)[1]		57,125	69,400	103,750	230,275
Area ('000 sqm)		77.434	44.350	54.580	176.364
Net passing rent € per sqm per annum	Range Weighted average[2]	40.90–111.34 51.36	46.12–137.12 83.86	103.56–165.10 142.18	40.90-165.10 102.07
Gross ERV € per sqm per annum	Range Weighted average[2]	39.00–89.61 49.14	101.58–155.40 131.94	79.93–224.34 168.86	39.00-224.34 128.03
Net initial yield[3] (%)	Range Weighted average[2]	5.16–8.29 6.08	4.99–5.33 4.32	3.44–13.23 6.25	3.44–13.23 5.63
Equivalent yield (%)	Range Weighted average[2]	5.05–6.84 5.62	5.09–7.32 6.11	3.43–11.54 6.41	3.43–11.54 6.12

1 This table includes the joint venture investment property valued at €29.2 million which is disclosed within the summarised information within note 16 as part of total assets.
2 Weighted by market value.
3 Yields based on rents receivable after deduction of head rents and non-recoverables.

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

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13. Investment property continued
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 2022	Industrial €'000	Retail €'000	Office €'000	Total €'000
Increase in ERV by 10%	4,900	5,700	9,200	19,800
Decrease in ERV by 10%	(4,900)	(6,100)	(9,400)	(20,400)
Increase in net initial yield by 0.5%	(6,600)	(6,000)	(10,000)	(22,600)
Decrease in net initial yield by 0.5%	8,000	7,300	13,200	28,500

14. Recognition of development revenue and profit
During the financial year ended 30 September 2021, the Group transferred the legal title of its office asset in Paris, Boulogne-Billancourt to a purchaser.

The forward funded sale agreement which the Group entered into is comprised of two key performance obligations: i) to sell the asset as referenced above; and ii) to undertake a comprehensive refurbishment of the asset on behalf of the purchaser.

On 16 December 2020 the Group transferred, as part of the sale, the legal title to the purchaser for a deemed sale price of €69.8 million. In return, the Group received on the completion date an initial €52.9 million cash receipt from the purchaser and €16.9 million was paid in the year to 30 September 2022 upon the completion of certain milestones.

The forward funded sale contract also included a development element whereby the Group would undertake a comprehensive refurbishment of the asset on behalf of the purchaser over an approximate 18 month period with practical completion occurring in the second quarter of 2022. The amount of revenue the Group will receive for the development of the asset is variable as it is based on the Group achieving certain milestones.

When forming a judgement as to an appropriate level of development revenue to be recognised in the reporting period, the Group considered the contractual penalties of not meeting certain criteria within the agreement; the total development costs incurred; the stage of completion of the refurbishment; the milestones achieved and still to be achieved; the timing of further future cash receipts from the purchaser; and the overall general development risk.

The Group has estimated that it will receive total development revenue of €30.2 million (2021: €25.5 million).

During the year €15.4 million of development cost has been incurred (2021: €8.27 million) which cumulatively to date, represents 96% of the total project expenditure and a sum of €17.9 million (2021: €9.81 million) of development revenue has been recognised following consideration of the factors identified above. Total development revenue from this contract recognised since inception is €27.7 million, which represents 91% of total development revenue. The remaining development revenue is expected to be predominantly recognised in the year-ending 30 September 2023. The lag between development revenue and development cost represents the inherent development risk that is still evident in the project.

The total amount of the contract asset recognised by the Group that is due from the purchaser thereby totalled €10.3 million (September 2021: €26.7 million) at the end of the financial year and is included in Trade and other receivables.

The below sensitivity table presents the change in the total development revenue expected from the purchaser if the variable consideration increases or decreases by 10%. Note that the maximum amount of variable revenue remaining that could be recognised is €2.7 million. This is also the expected amount of revenue to be received therefore no +10% analysis is performed.

	-10%	0%	+10%
Variable development revenue expected from the purchaser (€m)	2.4	2.7	2.7

15. Investment in subsidiaries

Company	2022 €'000	2021 €'000
Balance as at 1 October	61,386	108,769
Additions	–	1,010
Disposals	–	(41,114)
Provision of investment made in subsidiaries	–	(7,279)
Balance as at 30 September	61,386	61,386

During the year, SEREIT Plc invested €1 in SEREIT LC Invest, a new entity created to acquire the Cannes property. In the year ended 30 September 2021, OPPCI SEREIT France repurchased €40,524,000 of its own shares from SEREIT Plc and SEREIT Holdings France SAS repurchased €590,000 of its own shares from SEREIT Plc. SEREIT Plc invested €1,010,000 in SEREIT France Invest SAS, a new wholly-owned subsidiary of the Company.

15. Investment in subsidiaries continued

In the year ended 30 September 2021, the Company made a full impairment for its investment in SEREIT (Jersey) Limited of €7,279,000 following the provision of a loan made to the Seville joint venture which was held by SEREIT (Jersey) Limited (see note 6 for further details). No investments in subsidiaries were impaired in the year ended 30 September 2022.

The subsidiary companies listed below are those which were part of the Group as at 30 September 2022. 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.

The registered address of the Luxembourg entities has changed in the year. The registered address for all Luxembourg entities as at 30 September 2021 was 5, rue Höhenhof L-1736 Senningerberg.

Undertaking	Country of incorporation	Group ownership	Registered office address
SEREIT (Jersey) Limited	Jersey	100%	22 Grenville Street, Jersey, JE4 8PX
SEREIT Finance Sàrl	Luxembourg	100%	15, Boulevard F.W. Raiffeisen, 2411
SEREIT Holdings Sàrl	Luxembourg	100%	15, Boulevard F.W. Raiffeisen, 2411
OPPCI SEREIT France	France	100%	153 Rue Saint Honoré, 75001 Paris
SCI SEREIT Rumilly	France	100%	8–10 Rue Lamennais, 75008 Paris
SEREIT Berlin DIY Sàrl	Luxembourg	100%	15, Boulevard F.W. Raiffeisen, 2411
SEREIT Hamburg Sàrl	Luxembourg	100%	15, Boulevard F.W. Raiffeisen, 2411
SEREIT Stuttgart Sàrl	Luxembourg	100%	15, Boulevard F.W. Raiffeisen, 2411
SEREIT Frankfurt Sàrl	Luxembourg	100%	15, Boulevard F.W. Raiffeisen, 2411
SCI SEREIT Directoire	France	100%	8–10 Rue Lamennais, 75008 Paris
SEREIT Apeldoorn Sàrl	Luxembourg	100%	15, Boulevard F.W. Raiffeisen, 2411
SEREIT UV Sàrl	Luxembourg	100%	15, Boulevard F.W. Raiffeisen, 2411
SEREIT Holdings France SAS (SIIC)	France	100%	8–10 Rue Lamennais, 75008 Paris
SCI SEREIT Pleudihen	France	100%	8–10 Rue Lamennais, 75008 Paris
SAS Clarity Developpement	France	100%	8–10 Rue Lamennais, 75008 Paris
SEREIT France Invest SAS	France	100%	8–10 Rue Lamennais, 75008 Paris
SCI SEREIT Nantes	France	100%	8–10 Rue Lamennais, 75008 Paris
SCI LC Invest	France	100%	8–10 Rue Lamennais, 75008 Paris

16. Investment in joint venture

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	**2022 €'000**	2021 €'000
Balance as at 1 October	**–**	–
Investment in joint venture	**–**	60
Share of loss for the year	**–**	(60)
Balance as at 30 September	**–**	–

Summarised joint venture financial information:	**2022 €'000**	2021 €'000
Total assets	**29,290**	32,220
Total liabilities	**(48,435)**	(46,830)
Net liabilities	**(19,145)**	(14,610)
Net asset value attributable to the Group	**–**	–
Revenues for the year	**4,003**	3,146
Total comprehensive (loss)	**(4,536)**	(120)
Total comprehensive loss attributable to the Group	**–**	(60)

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16. Investment in joint venture (continued)
As at 30 September 2022, the joint venture in Seville, of which SEREIT holds a 50% share, had total net liabilities of €19,146,000 (2021: €14,610,000). The Group has therefore recognised a nil interest as its investment in the joint venture and would only recognise its share of net liabilities where certain legal or constructive obligations are in force. No such obligations exist with regard to the Seville joint venture.

A reduction in rental income has resulted in a requirement under the minimum net rental income covenant in the loan agreement for the lender to retain all excess rental income generated by the Seville property in the property-owning special purpose vehicle ('SPV'). This position will continue until the rental income increases sufficiently to meet the level required under the loan. A significant fall in valuation over the financial year has resulted in a 'Hard LTV' covenant breach which leads to an automatic increase in the interest margin. The bank have agreed a waiver for until the maturity date of the additional interest margin.

In 2021 and 2022, within total liabilities of the joint venture, there is also a loan amount of €10,000,000 owed to the Group. The Group has fully impaired the loan and interest receivable from the joint venture and further details are provided in note 6. 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% per annum payable quarterly.

In the valuation report as at 30 September 2021, the Group's valuers included a 'material valuation uncertainty' clause with respect to the Seville shopping centre. This clause has been removed for the 30 September 2022 valuation.

Sensitivity analysis with respect to the estimated movement in fair value of investment properties, including the Group's share of the joint venture investment property at 30 September 2022, can be found in note 13.

17. Trade and other receivables

	Group 2022 €'000	Group 2021 €'000	**Company 2022 €'000**	Company 2021 €'000
Rent and service charges receivable	**2,763**	2,170	**–**	–
Amounts due from subsidiary undertakings	**–**	–	**85,597**	85,562
VAT receivable	**891**	1,786	**21**	16
Rental and security deposits	**1,569**	1,364	**–**	–
Proceeds receivable from development	**10,346**	26,678	**–**	–
Withholding tax receivable	**–**	1,013	**–**	633
Other debtors and prepayments	**1,111**	1,631	**83**	23
	16,680	34,642	**85,701**	86,234

1 Refer to note 14 for proceeds due from the development of Boulogne-Billancourt in Paris.

Other debtors and prepayments includes tenant incentives of €1,244,000 (2021: €1,348,000). There were no provisions against the above amounts in 2022 (2021: Nil).

18. Share capital and share premium

	Group 30/09/2022 €'000	Group 30/09/2021 €'000	**Company 30/09/2022 €'000**	Company 30/09/2021 €'000
Ordinary share capital	**17,966**	17,966	**17,966**	17,966
Share premium	**43,005**	43,005	**43,005**	43,005

As at 30 September 2022, the share capital of the Company was represented by 133,734,686 ordinary shares (2021: 133,734,686 ordinary shares) with a par value of 10.00 pence.

Issued share capital
As at 30 September 2022, the Company had 133,734,686 ordinary shares (2021: 133,734,686) in issue (no shares were held in treasury). The total number of voting rights of the Company at 30 September 2022 was 133,734,686 (2021: 133,734,686).

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.

19. 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 22.

	Group 2022 €'000	Group 2021 €'000	Company 2022 €'000	Company 2021 €'000
As at 1 October	**68,589**	68,372	**–**	–
Capitalisation of finance costs	**(15)**	(21)	**–**	–
Amortisation of finance costs	**170**	238	**–**	–
As at 30 September	**68,744**	68,589	**–**	–

Borrowings are removed from the statement of financial position 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 – HSBC Bank Plc

The Group has a loan facility of €9.25 million with HSBC Bank Plc which was entered into during the year ended 30 September 2018.

The total amount has been fully drawn and matures on 27 September 2023. It carries an interest rate which is the aggregate of the applicable Euribor 3 months rate and a margin of 2.15% per annum payable quarterly. The facility was subject to a 1% arrangement fee which is being amortised over the period of the loan. The debt has a LTV covenant of 62.5% and the interest cover should be above 275%.

The lender has a charge over properties owned by the Group with a value of €25,050,000. A pledge of all shares in the borrowing Group company is in place.

Due to its maturity date, this loan has been reclassified to current liabilities for the year ended 30 September 2022. The Group fully intends to refinance the loan ahead of its maturity in September 2023.

Bank loan – BRED Banque Populaire

The Group entered into a loan facility totalling €13.0 million with BRED Banque Populaire during the year ended 30 September 2018.

The total amount was fully drawn and matures on 15 December 2024. The loan carries an interest rate which is the aggregate of the applicable Euribor 3 months rate and a margin of 1.30% per annum payable quarterly. The facility was subject to an arrangement fee of €70,000 which is being amortised over the period of the loan. The debt has a LTV covenant of 60% and the ICR should be above 400%. The Group has purchased an interest rate cap to have risk coverage on the variation of the interest rate.

During the year ended 30 September 2020, the Group received a further €4.0 million of debt into SCI Directoire under its existing loan facility with BRED Banque Populaire. The additional loan amount carries an interest rate of 1.45% and was subject to a €30,000 arrangement fee which will be amortised over the period of the loan. The total loan facility stands at €17.0 million and matures on the original date of 15 December 2024.

The lender has a charge over property owned by the Group with a value of €40,100,000. A pledge of all shares in the borrowing Group company is in place.

Bank loan – Deutsche Pfandbriefbank AG

The Group has two loan facilities totalling €30.50 million with Deutsche Pfandbriefbank AG which were entered into during the year ended 30 September 2016.

Of the total amount drawn, €14.0 million matures on 30 June 2023 and carries a fixed interest rate of 0.85% per annum payable quarterly; the remaining €16.5 million matures on 30 June 2026 and carries a fixed interest rate of 1.31% per annum. 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 a LTV covenant of 65% and the debt yield must be at least 8%.

The lender has a charge over property owned by the Group with a value of €90,050,000. A pledge of all shares in the borrowing Group companies is in place.

Due to its maturity date, the €14.0 million has been reclassified to current liabilities for the year ended 30 September 2022. The Group fully intends to refinance the loan ahead of its maturity in June 2023.

Bank loan – Landesbank Saar

The Group entered into a loan facility of €8.6 million with Landesbank Saar on 27 March 2019.

The loan matures on 28 March 2024 and carries an interest rate of 1.40% plus Euribor 3 months per annum, payable quarterly. An additional 25bps is applied to the margin if the LTV is between 56% and 60%, or 50bps if the LTV is above 60%. The facility was subject to a €56,000 arrangement fee which is being amortised over the period of the loan. The debt has a LTV covenant of 64% and the interest cover should be above 220%. A pledge of all shares in the borrowing Group company is in place.

Bank loan – Landesbank Saar

On 25 November 2019, SCI Rumilly entered into a new loan facility with Landesbank Saar for €3.7 million.

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19. Interest-bearing loans and borrowings continued
The loan matures on 30 April 2023 and carries an interest rate of 1.30% plus Euribor 3 months per annum payable quarterly. An additional 25bps is applied to the margin if the LTV is between 52% and 56%, or 50bps if the LTV is equal to or above 56%. The facility was subject to a €46,000 arrangement fee which is amortised over the period of the loan. The debt has a maximum LTV covenant of 60% and a minimum ICR covenant of 200%. A pledge of all shares in the borrowing Group company is in place

Due to its maturity date, this loan has been reclassified to current liabilities for the year ended 30 September 2022. The Group fully intends to refinance the loan ahead of its maturity in April 2023.

20. Trade and other payables

	Group 30/09/2022 €'000	Group 30/09/2021 €'000	**Company 30/09/2022 €'000**	Company 30/09/2021 €'000
Rent received in advance	**1,333**	1,306	**–**	–
Rental deposits	**1,568**	1,382	**–**	–
Interest payable	**133**	56	**–**	–
Retention payable	**2**	2	**–**	–
Credit loan facility	**–**	1,840	**–**	–
Accruals	**2,428**	2,361	**1,477**	1,322
Trade payables	**393**	598	**–**	–
	5,857	7,545	**1,477**	1,322

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 €717,000 (2021: €706,000) and property expenses of €625,000 (2021: €395,000).

During the year to 30 September 2021, the Group agreed a revolving credit loan facility of €13,600,000 with BRED Banque Populaire during of which €1,840,000 was drawn in August 2021 and was outstanding as at 30 September 2021. Borrowings under the credit facility carry an interest rate of 1.50% p.a. and was repayable on demand. The credit facility matured on December 2021 and the €1,840,000 was fully repaid in December 2021 hence there is no liability for the year ended 30 September 2022.

21. Net asset value per ordinary share
The NAV per ordinary share of 140.8 euro cents per share (2021: 149.2 euro cents per share) is based on the net assets attributable to ordinary shareholders of the Group of €188,243,000 (2021: €199,532,000), and 133,734,686 ordinary shares in issue at 30 September 2022 (2021: 133,734,686 ordinary shares).

22. 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 caps when required to limit exposure to interest rate risks, but does not have any other derivative instruments. The financial risk profile of the Group has been heightened due to the lasting effects of the Covid-19 virus and new macroeconomic uncertainty.

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:

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 re-lease space and the costs thereof; the costs of maintenance and insurance, and increased operating costs.

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

At the date of signing this report, the conflict in Ukraine continues to have significant societal and economic impact. The Group does not have a material direct exposure to Russia or Ukraine, but continues to monitor the situation closely.

Included in market price risk is currency risk, credit risk and interest rate risk which are discussed further below.

22. Financial instruments, properties and associated risks continued

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 30/09/2022 €'000**	Group 30/09/2021 €'000	**Company 30/09/2022 €'000**	Company 30/09/2021 €'000
Euros	**188,436**	199,944	**155,842**	180,601
Sterling	**(223)**	(425)	**(223)**	(425)
Rand	**30**	13	**30**	13
	188,243	199,532	**155,649**	180,189

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.

With regard to trade and other receivables, no impairment was required for these at the balance sheet date since the average rent collection during the year was 100% and sufficient provisions were made against aged tenant receivables where these were doubtful. Management will continue to monitor the ability of the tenants to pay in future.

With regard to the loan to the Seville joint venture, the Directors have assessed this for an expected credit loss under IFRS 9 and, consequently, have recognised an impairment against the receivable; see note 6 for further details.

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 a 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.

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 30/09/2022**	**Group balance at 30/09/2022 €'000**	**Company balance at 30/09/2022 €'000**
HSBC Bank plc	**A+**	**2,743**	**862**
ING Bank N.V.	**A+**	**9,994**	**–**
BNP Paribas	**A+**	**1,768**	**–**
BRED Banque Populaire	**A**	**6,671**	**–**
Santander	**A**	**6,905**	**6,900**
Societe Generale SA	**A**	**4,569**	**2,247**
Commerzbank AG	**BBB+**	**1,644**	**–**
FirstRand Bank Limited	**BB-**	**30**	**30**
		34,324	**10,039**

Bank	Ratings as at 30/09/2021	Group balance at 30/09/2021 €'000	Company balance at 30/09/2021 €'000
HSBC Bank plc	A+	1,422	790
ING Bank N.V.	A+	7,423	–
BNP Paribas	A+	1,223	–
BRED Banque Populaire	A	9	–
Santander	A	32,810	32,800
Societe Generale SA	A	991	291
Commerzbank AG	BBB+	1,829	–
FirstRand Bank Limited	BB-	10	10
		45,717	33,891

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22. Financial instruments, properties and associated risks continued
The maximum exposure to credit risk for rent and service charge receivables at the reporting date by type of sector was:

	30/09/2022 Carrying amount €'000	30/09/2021 Carrying amount €'000
Office	**1,701**	1,233
Retail (including retail warehousing)	**381**	350
Industrial	**513**	521
	2,595	2,104

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

	30/09/2022 Carrying amount €'000	30/09/2021 Carrying amount €'000
0–30 days	**2,707**	2,170
31–60 days	**–**	–
61–90 days	**–**	–
91 days plus	**–**	–
	2,707	2,170

Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulties in meeting 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 sale's 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 2022	**Carrying amount €'000**	**Expected cash flows €'000**	**6 months or less €'000**	**6 months to 2 years €'000**	**2–5 years €'000**	**More than 5 years €'000**
Financial liabilities						
Interest-bearing loans and borrowings and interest	**69,050**	**70,845**	**461**	**36,459**	**33,925**	**–**
Trade and other payables	**5,724**	**5,724**	**5,724**	**–**	**–**	**–**
Total financial liabilities	**74,774**	**76,569**	**6,185**	**36,459**	**33,925**	**–**

As at 30 September 2021	Carrying amount €'000	Expected cash flows €'000	6 months or less €'000	6 months to 2 years €'000	2–5 years €'000	More than 5 years €'000
Financial liabilities						
Interest-bearing loans and borrowings and interest	69,050	71,768	460	28,285	43,023	–
Trade and other payables	7,488	7,488	7,488	–	–	–
Total financial liabilities	76,538	79,256	7,948	28,285	43,023	–

22. 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 such as derivatives which are driven by interest rate movements. As at 30 September 2022, the total carrying value of the Group's loans was €69.1 million (2021: €69.1 million). The Group only has its fixed rate debt fair valued, and as at 30 September 2022, the fair value of the Group's fixed rate debt was €29.5 million (2021: €30.3 million). The carrying value for the fixed rate debt was €30.5 million (2021: €30.5 million). The Group does not fair value variable rate debt. The carrying value of the variable rate debt, which is €38.6 million (2021: €38.6 million) is deemed to approximate the fair value.

A 1% increase or decrease in short-term interest rates would decrease or increase the annual income and equity by €0.1 million (2021: €0.1 million) based on the net of cash and variable debt balances as at 30 September 2022.

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 asset 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 (2021: none).

The following summarises the main methods and assumptions used in estimating the fair values of financial instruments and investment property (which is a non-financial asset).

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 13 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 2021, the fair value of the Group's loans was equal to its book value.

Trade and other receivables/payables – Level 3

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 2

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 an appropriate level of gearing.

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

	30/09/2022 €'000	30/09/2021 €'000
Debt		
Loan facilities and accrued interest	**68,877**	68,645
Equity		
Called-up share capital and share premium	**60,971**	60,971
Retained earnings and other reserves	**127,272**	138,561
Total equity	**188,243**	199,532
Total debt and equity	**257,120**	268,177

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

The Company's capital structure is comprised of equity only.

Notes to the Financial Statements
Continued

23. Operating leases
The Group leases out its investment property under operating leases. At 30 September 2022, the future minimum lease receipts under non-cancellable leases are as follows:

The Group as a lessor	**30/09/2022 €'000**	30/09/2021 €'000
Less than one year	**14,426**	13,661
Between one and five years	**41,945**	43,076
More than five years	**7,435**	9,211
	63,806	65,948

The total above comprises the total contracted rent receivable as at 30 September 2022.

24. Related party transactions
Material agreements are disclosed in note 5 and Directors' emoluments are disclosed in note 9. Loans to related parties are disclosed in the consolidated and company statements of financial position and other amounts due from related parties are disclosed in note 17.

Details of dividends received from the joint venture are disclosed in note 16.

Interest receivable from the joint venture was impaired during the year; refer to note 6 for further details.

25. Contingent liability
There are no contingent liabilities other than those disclosed in note 10.

26. Capital commitments
At 30 September 2022 the Group had capital commitments of €1,500,000 (2021: €51,000) with regards to its directly held portfolio. This relates to the expected capex at the Houten property which is discussed in more detail on in note 13.

The Group is expected to incur a further €1.2m of capital construction works with regards to the comprehensive refurbishment of the Paris, Boulogne-Billancourt asset.

27. Employees
The Group has one employee who is appointed by the French branch of the Company. The total charge for the employee during the year was €22,000.

28. Post balance sheet events
There were no significant events occurring after the balance sheet date.

EPRA and Headline Performance Measures (Unaudited)

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

a. EPRA earnings and earnings per share

Represents total IFRS comprehensive income excluding realised and unrealised gains/losses on investment property, share of capital profit on joint venture investments and changes in fair value of financial instruments, including the loan made to the joint venture, divided by the weighted average number of shares.

	Year to 30 September 2022 €'000 (unaudited)	Year to 30 September 2021 €'000 (audited)
Total IFRS comprehensive income	**13,918**	6,238
Adjustments to calculate EPRA earnings:		
Net (gain)/loss from fair value adjustment on investment property	**(6,351)**	(8,573)
Currency translation differences (unrealised)	**73**	1
Net development (revenue)/expenditure	**(2,506)**	(1,541)
Share of joint venture loss/profit	**(561)**	554
Deferred tax	**1,280**	1,920
Tax on development profit	**702**	454
Net change in fair value of financial instruments	**(921)**	7
Provision of internal loan made to Seville joint venture (excluding interest)	**444**	7,543
EPRA earnings	**6,078**	6,601
Weighted average number of ordinary shares	**133,734,686**	133,734,686
IFRS earnings and diluted earnings (cents per share)	**10.4**	4.7
EPRA earnings per share (cents per share)	**4.5**	4.9

b. EPRA Net Reinstatement Value

	Year to 30 September 2022 €'000 (unaudited)	Year to 30 September 2021 €'000 (audited)
IFRS equity attributable to shareholders	**188,243**	199,532
Deferred tax and tax on development and trading properties	**5,124**	4,298
Adjustment for fair value of financial instruments	**(934)**	(14)
Adjustment in respect of real estate transfer taxes	**17,444**	15,824
EPRA Net Reinstatement Value	**209,877**	219,640
Shares in issue at end of year	**133,734,686**	133,734,686
IFRS Group NAV per share (cents per share)	**140.8**	149.2
EPRA Net Reinstatement Value per share (cents per share)	**156.9**	164.2

c. EPRA Net Tangible Assets

	Year to 30 September 2022 €'000 (unaudited)	Year to 30 September 2021 €'000 (audited)
IFRS equity attributable to shareholders	**188,243**	199,532
Deferred tax	**5,124**	4,298
Adjustment for fair value of financial instruments	**(934)**	(14)
EPRA Net Tangible Assets	**192,433**	203,816
Shares in issue at end of year	**133,734,686**	133,734,686
IFRS Group NAV per share (cents per share)	**140.8**	149.2
EPRA Net Tangible Assets per share (cents per share)	**143.9**	152.4

EPRA and Headline Performance Measures (Unaudited)
Continued

d. EPRA Net Disposal Value

	Year to 30 September 2022 €'000 (unaudited)	Year to 30 September 2021 €'000 (audited)
IFRS equity attributable to shareholders	**188,243**	199,532
Adjustment for the fair value of fixed interest rate debt	**987**	278
EPRA Net Disposal Value	**189,230**	199,810
Shares in issue at end of year	**133,734,686**	133,734,686
IFRS Group NAV per share (cents per share)	**140.8**	149.2
EPRA Net Disposal Value (cents per share)	**141.5**	149.4

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

	Year to 30 September 2022 €'000 (unaudited)	Year to 30 September 2021 €'000 (audited)
Total IFRS comprehensive income	**13,918**	6,238
Adjustments to calculate headline earnings exclude:		
Net valuation (profit)/loss on investment property	**(6,351)**	(8,573)
Net development (revenue)/expenditure	**(2,506)**	(1,541)
Share of joint venture loss on investment property	**(561)**	554
Deferred tax	**1,280**	1,920
Tax on development profit	**701**	454
Net change in fair value of financial instruments	**(921)**	7
Provision of internal loan made to Seville joint venture (excluding interest)	**444**	7,543
Headline earnings	**6,078**	6,602
Weighted average number of ordinary shares	**133,734,686**	133,734,686
Headline and diluted headline earnings per share (cents per share)	**4.5**	4.9

Sustainability Performance Measures (Environmental) (unaudited)

The Company reports sustainability information in accordance with EPRA Best Practice Recommendations on Sustainability Reporting (sBPR) 2017, 3rd Edition for the 12 months 1st April 2021 to 31st March 2022, presented with comparison against 2020/21. As permitted by the EPRA Sustainability Reporting Guidelines, environmental data has been developed and presented in line with the Global Real Estate Sustainability Benchmark (GRESB).

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 and/or arrangement of waste disposal contracts. 'Operational control' has been selected as the reporting boundary (as opposed to 'financial control' or 'equity share') as this reflects the portion of the portfolio where the Company can influence operational procedures and, ultimately, sustainability performance. The operational control approach is the most commonly applied within the industry.

In 2021/22, out of the total 14 assets held by the Company at 31 March 2022, six were within the operational control reporting boundary of the Company (i.e. 'managed'). In 2020/21, there were also six such managed assets within the portfolio.

Energy and water consumption data is reported according to automatic meter reads, manual meter reads or invoice estimates. Historic consumption data have been restated where more complete and or accurate records have become available. Where required, missing consumption data has been estimated by pro-rating data from other periods using recognised techniques. The proportion of data that is estimated is presented in the footnotes to the data tables.

The Company at 31 March 2022 had one part time direct employee and is served by the employees of Schroder Real Estate Investment Management (SREIM) as Investment Manager to the Company. Accordingly, the EPRA Overarching Recommendation for companies to report on the environmental impact of their own offices is not relevant/material and not presented in this report. This report has been prepared by energy and sustainability consultants, EVORA Global.

The Sustainability Performance Measures have been assured in accordance with AA1000 to provide a Type 2 Moderate Assurance unqualified audit of the sustainability content located on page 93 of the SEREIT Annual Report for the year ending 30 September 2022. The full Assurance Statement can be found at the following link: https://mybrand.schroders.com/m/319d66aa3ec9051c/original/SEREIT-Full-Assurance-Statement-2021-22-EPRA-Report-FV1-signed.pdf.

Total energy consumption (Elec-Abs; DH&C-Abs; Fuels-Abs)
The table below sets out total landlord obtained energy consumption from the Company's managed portfolio by sector.

	Total electricity consumption (kWh)		Total fuel consumption (kWh)		Total district heating/ cooling consumption (kWh)	
Sector	2020	**2021**	2020	**2021**	2020	**2021**
Industrial: Industrial Park	198,822	**235,377**	98,774	**62,655**	–	**–**
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**	–	**–**
Office: Corporate: High-Rise Office	1,006,745	**199,676**	1,195,340	**1,542,888**	787,671	**1,045,172**
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**	100%	**100%**
Office: Corporate: Mid-Rise Office	610,056	**733,113**	–	**–**	555,111	**658,503**
Coverage (landlord-procured consumption)	100%	**100%**	–	**–**	100%	**100%**
Retail: Retail Centres: Shopping Centre	910,295	**975,215**	–	**–**	–	**–**
Coverage (landlord-procured consumption)	100%	**100%**	–	**–**	–	**–**
Retail: Retail Centres: Warehouse	71,291	**92,133**	387,862	**371,044**	–	**–**
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**	–	**–**
Total	2,797,208	**2,235,514**	1,681,976	**1,976,587**	1,342,782	**1,703,675**
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**	100%	**100%**
Total electricity, fuels and district heating	5,821,966	**5,915,775**				
Coverage (landlord-procured consumption)	100%	**100%**				
Renewable electricity %	64%	**91%**				
Coverage (landlord-procured consumption)	100%	**100%**				

- Consumption data relates to the managed portfolio only:
  - Industrial: Industrial Park: whole building
  - Office: Corporate: High-Rise Office: common parts, shared services and tenant space, where procured by the landlord.
  - Office: Corporate: Mid-Rise Office: common parts, shared services where procured by the landlord.
  - Retail: Retail Centres: Shopping Centre: common parts.
  - Retail: Retail Centres: Warehouse: common parts and shared services.
- Energy procured directly by tenants is not reported.
- Percentage of data estimated through pro-rating across both 2020/21 and 2021/22 reporting period: electricity 5.73%, gas 12.02%, district heating and district cooling 11.89%.
- Renewable electricity (%) is calculated according to the attributes of energy supply contracts as at 31 March 2022 and only reflects renewable electricity procured under a 100% 'green tariff' (i.e. where generation is from 100% renewable source). The renewables percentage of standard (non 'green tariff') energy supplies are not currently known and therefore has not been included within this number.

Sustainability Performance Measures (Environmental) (unaudited)

Continued

- All energy was procured from a third-party supplier. No 'self-generated' renewable energy was consumed during the reporting period and therefore is not presented here.
- Coverage (landlord-procured consumption) percentage relates to the proportion of assets for which landlord obtained data has been reported by count over the number of assets within scope for the sector/utility. For L4L coverage the same rule has been applied, therefore only keeping in scope the assets that are L4L.
- Where appropriate (for relevant assets), consumption data and asset NLA/GIA has been adjusted to reflect the Company's share of ownership.

Like-for-like energy consumption (Elec-LfL; DH&C-LfL; Fuels-LfL; Energy-Int)

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

	Total electricity consumption (kWh)			Total fuel consumption (kWh)			Total district heating consumption (kWh)			Like-for-like energy intensity (kWh/m²)		
Sector	2020	2021	% Change	2020	2021	% Change	2020	**2021**	% Change	2020	**2021**	% Change
Industrial: Industrial Park	198,822.28	**235,376.71**	18%	98,773.56	**62,655.35**	-37%	–	**–**	–	117	**118**	0%
Coverage (landlord-procured consumption)	100%	**100%**		100%	**100%**		–	**–**		100%	**100%**	
Office: Corporate: High-Rise Office	1,006,745.02	**197,569.36**	-80%	1,195,340.34	**1,542,887.86**	29%	787,670.71	**1,045,171.60**	33%	178	**166**	-7%
Coverage (landlord-procured consumption)	100%	**100%**		100%	**100%**		100%	**100%**		100%	**100%**	
Office: Corporate: Mid-Rise Office	487,841.53	**597,764.00**	23%	–	**–**	–	555,111.24	**658,503.00**	19%	61	**74**	20%
Coverage (landlord-procured consumption)	100%	**100%**		–	**–**		100%	**100%**		100%	**100%**	
Retail: Retail Centres: Shopping Centre	910,294.50	**975,214.50**	7%	–	**–**	–	–	**–**	–	238	**255**	7%
Coverage (landlord-procured consumption)	100%	**100%**		–	**–**		–	**–**		100%	**100%**	
Retail: Retail Centres: Warehouse	71,291.00	**92,133.36**	29%	387,862.00	**371,043.51**	-4%	–	**–**	–	81	**82**	1%
Coverage (landlord-procured consumption)	100%	**100%**		100%	**100%**		–	**–**		100%	**100%**	
Total	2,674,994	**2,098,058**	-22%	1,681,976	**1,976,587**	18%	1,342,782	**1,703,675**	27%			
Coverage (landlord-procured consumption)	100%	**100%**		100%	**100%**		100%	**100%**				
Total electricity, fuels and district heating	5,699,752	**5,778,319**	1%									
Coverage (landlord-procured consumption)	100%	**100%**										
Renewable electricity %	62%	**91%**										
Coverage (landlord-procured consumption)	100%	**100%**										

Like-for-like excludes assets that were purchased, sold, under refurbishment or subject to a significant change in the scope of reported data during the two years reported.

- Consumption data relates to the managed portfolio only:
  - Industrial: Industrial Park: whole building.
  - Office: Corporate: High-Rise Office: common parts, shared services and tenant space, where procured by the landlord.
  - Office: Corporate: Mid-Rise Office: common parts, shared services, where procured by the landlord.
  - Retail: Retail Centres: Shopping Centre: common parts.
  - Retail: Retail Centres: Warehouse: common parts and shared services.
- Energy procured directly by tenants is not reported.
- Percentage of data estimated through pro-rating across both 2020/21 and 2021/22 reporting period: electricity 5.73%, gas 12.02%, district heating and district cooling 11.89%.
- Renewable electricity (%) is calculated according to the attributes of energy supply contracts as at 31 March 2022 and only reflects renewable electricity procured under a 100% 'green tariff' (i.e. where generation is from 100% renewable source). The renewables percentages of standard (non 'green tariff') energy supplies are not currently known and therefore have not been included within this number.
- Intensity: An intensity measure is reported for assets within the like-for-like portfolio. Numerators/denominators are aligned at the sector level as follows:
  - Retail Centres: Shopping Centre: Common areas energy consumption (kWh) divided by common parts area (CPA m^2)
  - All other sectors: Common areas, shared service and/or whole building energy consumption (kWh) divided by gross internal area (GIA m^2)
- All energy was procured from a third-party supplier. No 'self-generated' renewable energy was consumed during the reporting period and therefore is not presented here.
- Coverage (landlord-procured consumption) percentage relates to the proportion of assets for which landlord obtained data has been reported by count over the number of assets within scope for the sector/utility. For L4L coverage the same rule has been applied, therefore only keeping in scope the assets that are L4L.
- Where appropriate (for relevant assets), consumption data and asset NLA/GIA has been adjusted to reflect the Company's share of ownership.

Greenhouse gas emissions (GHG-Dir-Abs; GHG-Indir-Abs; GHG-Int)
The table below sets out the Company's managed portfolio greenhouse gas emissions by sector.

	Absolute emissions (tCO_2e)		Like-for-like emissions (tCO_2e)			Like-for-like intensity (kg CO_2e /m^2)		
Sector	2020	**2021**	2020	**2021**	% Change	2020	**2021**	% Change
Industrial: Industrial Park								
Scope 1	24	**15**	24	**15**	-37%			
Scope 2	83	**87**	83	**87**	5%	42.2	**40.2**	-5%
Scopes 1 & 2	107	**102**	107	**102**	-5%			
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**		100%	**100%**	
Office: Corporate: High-Rise Office								
Scope 1	287	**370**	287	**370**	29%			
Scope 2	250	**269**	250	**269**	8%	31.9	**38.0**	19%
Scopes 1 & 2	537	**639**	537	**639**	19%			
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**		100%	**100%**	
Office: Corporate: Mid-Rise Office								
Scope 1	–	**–**	–	**–**	–			
Scope 2	382	**416**	333	**369**	11%	19.5	**21.6**	11%
Scopes 1 & 2	382	**416**	333	**369**	11%			
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**		100%	**100%**	
Retail: Retail Centres: Shopping Centre								
Scope 1	–	**–**	–	**–**	–			
Scope 2	231	**194**	231	**194**	-16%	60.3	**50.6**	-16%
Scopes 1 & 2	231	**194**	231	**194**	-16%			
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**		100%	**100%**	

Sustainability Performance Measures (Environmental) (unaudited)

Continued

	Absolute emissions (tCO_2e)		Like-for-like emissions (tCO_2e)			Like-for-like intensity (kg CO_2e /m^2)		
Sector	2020	**2021**	2020	**2021**	% Change	2020	**2021**	% Change
Retail: Retail Centres: Warehouse								
Scope 1	93	**89**	93	**89**	-4%			
Scope 2	29	**32**	29	**32**	11%	21.5	**21.4**	-1%
Scopes 1 & 2	122	**121**	122	**121**	-1%			
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**		100%	**100%**	
Total Scope 1 & 2	404	**474**	404	**474**	18%			
Coverage (landlord-procured consumption)	975	**998**	926	**951**	3%			
Total Scope 1 & 2	1,379	**1,472**	1,330	**1,425**	7%			
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**				

- Like-for-like excludes assets that were purchased, sold, under refurbishment or subject to a significant change in the scope of reported data during the two years reported.
- The Fund's greenhouse gas (GHG) inventory has been developed as follows:
  - Scope 1 GHG emissions relate to the use of onsite natural gas only.
  - Scope 2 GHG emissions relate to the use of electricity and district heating.
  - GHG emissions from electricity (Scope 2) are reported according to the 'location-based' approach.
  - GHG emissions are presented as tonnes of carbon dioxide equivalent (tCO_2e) and GHG intensity is presented as kilograms of carbon dioxide equivalent ($kgCO_2e$), where available greenhouse gas emissions conversion factors allow.
  - Electricity GHG emissions factors are taken from the CO_2 Emissions from Fuel Combustion, International Energy Agency (2020 and 2021).
  - Natural gas GHG emissions factors are taken from JRC Technical Reports: Covenant of Mayors for Climate and Energy: Default emission factors for local emission inventories (2017).
  - District heating and District Cooling GHG emissions factors are taken from the Process Data set: District heating mix, ÖKOBAUDAT, Federal Ministry of the Interior, Building and Community, Germany (2018).
- Emissions data relates to the managed portfolio only:
  - Industrial: Industrial Park: whole building.
  - Office: Corporate: High-Rise Office: common parts, shared services and tenant space, where procured by the landlord.
  - Office: Corporate: Mid-Rise Office: common parts, shared services, where procured by the landlord.
  - Retail: Retail Centres: Shopping Centre: common parts.
  - Retail: Retail Centres: Warehouse: common parts and shared services.
- Emissions associated with energy procured directly by tenants is not reported.
- Percentage of data estimated through pro-rating across both 2020/21 and 2021/22 reporting period: electricity 5.73%, gas 12.02%, district heating and district cooling 11.89%.
- Intensity: An intensity measure is reported for assets within the like-for-like portfolio. Numerators/denominators are aligned at the sector level as follows:
  - Retail Centres: Shopping Centre: Common areas energy consumption (kWh) divided by common parts area (CPA m^2)
  - All other sectors: Common areas, shared service and/or whole building energy consumption (kWh) divided by gross internal area (GIA m^2)
- Coverage (landlord-procured consumption) percentage relates to the proportion of assets for which landlord obtained data has been reported by count over the number of assets within scope for the sector/utility. For L4L coverage the same rule has been applied, therefore only keeping in scope the assets that are L4L.
- Where appropriate (for relevant assets), consumption data and asset NLA/GIA has been adjusted to reflect the Company's share of ownership.

Water (Water-Abs; Water-LfL; Water-Int)

The table below sets out water consumption from the Company's managed portfolio by sector.

	Absolute water consumption (m^3)		Like-for-like water consumption (m^3)			Like-for-like intensity (m^3/m^2)		
Sector	2020	**2021**	2020	**2021**	% Change	2020	**2021**	% Change
Industrial: Industrial Park	83	**109**	83	**109**	32%	0.03	**0.04**	32%
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**		100%	**100%**	
Office: Corporate: High-Rise Office	20,230	**26,632**	20,230	**26,632**	32%	1.20	**1.58**	32%
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**		100%	**100%**	
Office: Corporate: Mid-Rise Office	1,644	**2,029**	1,644	**2,029**	23%	0.10	**0.12**	23%
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**		100%	**100%**	
Retail: Retail Centres: Shopping Centre	4,032	**4,957**	4,032	**4,957**	23%	0.26	**0.32**	23%
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**		100%	**100%**	
Retail: Retail Centres: Warehouse	455	**333**	455	**333**	-27%	0.08	**0.06**	-27%
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**		100%	**100%**	
Total	26,443	**34,060**	26,443	**34,060**	29%			
Coverage (landlord-procured consumption)	100%	**100%**	100%	**100%**				

- Like-for-like excludes assets that were purchased, sold, under refurbishment or subject to a significant change in the scope of reported data during the two years reported.
- Consumption data relates to the managed portfolio only:
  - Industrial: Industrial Park: whole building
  - Office: Corporate: High-Rise Office: whole building
  - Office: Corporate: Mid-Rise Office: whole building
  - Retail: Retail Centres: Warehouse: whole building
  - Retail: Retail Centres: Shopping Centre: whole building
- All water was procured from a municipal supply. As far as we are aware, no surface, ground, rainwater or wastewater from another organisation was consumed during the reporting period and therefore is not presented here.
- Percentage of data estimated through pro-rating across both 2020/21 and 2021/22 reporting period: 0%.
- Intensity: An intensity measure is reported for assets within the like-for-like portfolio. Numerators/denominators are aligned as follows:
  - Whole building water consumption (m^3) divided by gross internal area (GIA m^2)
- Coverage (landlord-procured consumption) percentage relates to the proportion of assets for which landlord obtained data has been reported by count over the number of assets within scope for the sector/utility. For L4L coverage the same rule has been applied, therefore only keeping in scope the assets that are L4L.
- Where appropriate (for relevant assets), consumption data and asset NLA/GIA has been adjusted to reflect the Company's share of ownership.

Sustainability Performance Measures (Environmental) (unaudited)

Continued

Waste (Waste-Abs; Waste-LfL)

The table below sets out waste from the Company's managed portfolio by disposal route and sector.

		Absolute tonnes				Like-for-like tonnes				
		2020		**2021**		2020		**2021**		
		Tonnes	%	**Tonnes**	**%**	Tonnes	%	**Tonnes**	**%**	**% Change**
Industrial: Industrial Park	Recycled	0.62	35.7%	**2.48**	**35.6%**	0.00	–	**0.00**	**–**	–
	Incineration with energy recovery	1.11	64.3%	**4.49**	**64.4%**	0.00	–	**0.00**	**–**	–
	Unknown	0.00	0.0%	**0.00**	**0.0%**	0.00	–	**0.00**	**–**	–
	Landfill	0.00	0.0%	**0.00**	**0.0%**	0.00	–	**0.00**	**–**	–
	Total	1.73		**6.97**		0		**0.00**		–
	Coverage (landlord-procured consumption)	–		**100%**		–		**–**		
Office: Corporate: High-Rise Office	Recycled	0.00	–	**0.00**	**–**	0.00	–	**0.00**	**–**	–
	Incineration with energy recovery	0.00	–	**0.00**	**–**	0.00	–	**0.00**	**–**	–
	Unknown	0.00	–	**0.00**	**–**	0.00	–	**0.00**	**–**	–
	Landfill	0.00	–	**0.00**	**–**	0.00	–	**0.00**	**–**	–
	Total	0.00		**0.00**		0		**0.00**		–
	Coverage (landlord-procured consumption)	–		**–**		–		**–**		
Office: Corporate: Mid-Rise Office	Recycled	10.37	15.8%	**10.37**	**15.8%**	10.37	15.8%	**10.37**	**15.8%**	0.0%
	Incineration with energy recovery	55.08	84.2%	**55.08**	**84.2%**	55.08	84.2%	**55.08**	**84.2%**	0.0%
	Unknown	0.00	0.0%	**0.00**	**0.0%**	0.00	0.0%	**0.00**	**0.0%**	–
	Landfill	0.00	0.0%	**0.00**	**0.0%**	0.00	0.0%	**0.00**	**0.0%**	–
	Total	65.45		**65.45**		65.45		**65.45**		0.0%
	Coverage (landlord-procured consumption)	100%		**100%**		100%		**100%**		
Retail: Retail Centres: Shopping Centre	Recycled	0.00	–	**0.00**	**–**	0.00	–	**0.00**	**–**	–
	Incineration with energy recovery	0.00	–	**0.00**	**–**	0.00	–	**0.00**	**–**	–
	Unknown	0.00	–	**0.00**	**–**	0.00	–	**0.00**	**–**	–
	Landfill	0.00	–	**0.00**	**–**	0.00	–	**0.00**	**–**	–
	Total	0.00		**0.00**		0		**0.00**		–
	Coverage (landlord-procured consumption)	–		**–**		–		**–**		
Retail: Retail Centres: Warehouse	Recycled	0.00	0.0%	**0.00**	**0.0%**	0.00	0.0%	**0.00**	**0.0%**	–
	Incineration with energy recovery	8.46	100.0%	**8.46**	**100.0%**	8.46	100.0%	**8.46**	**100.0%**	0.0%
	Unknown	0.00	0.0%	**0.00**	**0.0%**	0.00	0.0%	**0.00**	**0.0%**	–
	Landfill	0.00	0.0%	**0.00**	**0.0%**	0.00	0.0%	**0.00**	**0.0%**	–
	Total	8.46		**8.46**		8.46		**8.46**		0.0%
	Coverage (landlord-procured consumption)	100%		**100%**		100%		**100%**		
Total	Recycled	10.99	14.53%	**12.85**	**15.9%**	10.37	14.0%	**10.37**	**14.0%**	0.0%
	Incineration with energy recovery	64.65	85.47%	**68.03**	**84.1%**	63.54	86.0%	**63.54**	**86.0%**	0.0%
	Unknown	0.00	0.00%	**0.00**	**0.0%**	0.00	0.0%	**0.00**	**0.0%**	–
	Landfill	0.00	0.00%	**0.00**	**0.0%**	0.00	0.0%	**0.00**	**0.0%**	–
	Total	76		**81**		74		**74**		0.0%
	Coverage (landlord-procured consumption)	100%		**100%**		100%		**100%**		

- Whilst zero waste is sent direct to landfill, a residual component of the 'recycled' and 'incineration with energy recovery' waste streams may end up in landfill.
- Like-for-like excludes assets that were purchased, sold, under refurbishment or subject to a significant change in the scope of reported data during the two years reported.
- Waste data relates to the managed portfolio only.
- Waste management procured directly by tenants is not reported.
- Reported data relates to non-hazardous waste only, robust tonnage data on the small quantities of hazardous waste produced is not available.
- German waste data protocol applies a standard waste tonnage based on the waste collection frequency.
- Coverage (landlord-procured consumption) percentage relates to the proportion of assets for which landlord obtained data has been reported by count over the number of assets within scope for the sector/utility. For L4L coverage the same rule has been applied, therefore only keeping in scope the assets that are L4L.
- Where appropriate (for relevant assets), consumption data and asset NLA/GIA has been adjusted to reflect the Company's share of ownership.

Sustainability certification: Green building certificates (Cert-Tot)
The table below sets out the proportion of the Company's total portfolio with a Green Building Certificate by floor area.

Rating	Portfolio by floor area
Office: Corporate: Mid-Rise Office (BREEAM In Use: Pass)	9%
Office: Corporate: Mid-Rise Office (BREEAM In Use: Good)	19%
Retail Centres, Shopping Centre (BREEAM In Use: Very Good/Excellent)	14%
All other sectors	0%
Coverage	43%

- Green building certificate records for the Company are provided as at 31 March 2022 by portfolio floor area.
- Data provided includes managed and non-managed assets (i.e. the whole portfolio).
- Where appropriate (for relevant assets), consumption data and asset NLA/GIA has been adjusted to reflect the Company's share of ownership.

Sustainability Performance Measures (Environmental) (unaudited)
Continued

Sustainability certification: Energy Performance Certificates (Cert-Tot)
The table below sets out the proportion of the Company's total portfolio with an Energy Performance Certificate by floor area.

Energy performance certificates

Rating	Portfolio by floor area
A+	0%
A	11%
B	20%
C	4%
D	30%
E	7%
F	0%
G	9%
Exempt	0%
No EPC	19%
Total	**100%**
Coverage	**100%**

- Energy Performance Certificate (EPC) records for the Company are provided for the portfolio as at 31 March 2022 by portfolio floor area.
- Data provided includes the whole portfolio i.e. managed and non-managed assets.
- German EPCs do not have a letter rating system used in certification, rather they are given an energy intensity measure and a comparable benchmark figure. An in-house conversion process has been applied to these outputs to give an indicative A-G rating. With this approach it has been possible to plot all EPCs on the same scale and provide an indication of the Company's EPC distribution.
- The French EPC rating system operates on a scale of A to I.
- Where appropriate (for relevant assets), consumption data and asset NLA/GIA has been adjusted to reflect the Company's share of ownership.
- The underlying data for the EPC at Hornbach is incorrect and is being investigated. This is, therefore, not an accurate representation of the asset's performance.

Sustainability Performance Measures (Social)

EPRA's Sustainability Best Practices Recommendations Guidelines 2017 ("EPRA's Guidelines") include Social and Governance reporting measures to be disclosed for the entity i.e. the Company. The Company is an externally managed real estate investment trust and has one part time direct employee. A number of these Social Performance measures relate to entity employees and therefore these measures are not relevant for reporting at the entity level. The Investment Manager to the Company, Schroder Real Estate Investment Management Limited, is part of Schroders PLC which has responsibility for the employees that support the Company. The Company aims to comply with EPRA's Guidelines and therefore has included Social and Governance Performance Measure disclosures in this report. However, these are presented as appropriate for the activities and responsibilities of the Schroder Real Estate Investment Trust Limited (the "Company"), Schroders PLC or the Investment Manager, Schroder Real Estate Investment Management Limited.

The Schroders PLC Annual Report and Accounts for the 12 months to 31 December 2021 supports the performance measures in relation to the Investment Manager as set out below. Schroders PLC's principles in relation to people including diversity, gender pay gap, values, employee satisfaction survey, wellbeing and retention can be found at:
- https://prod.schroders.com/en/sysglobalassets/annual-report/2021/documents/SCH032_2021_ARA_Full_PDF_Hi_Res_220309.pdf
- https://www.schroders.com/en/about-us/people-and-culture/inclusion/
- https://prod.schroders.com/en/sysglobalassets/annual-report/2021/documents/schroders-workforce-diversity--gpg-report-2021.pdf

Employee gender diversity (Diversity-Emp)
As at 31 March 2022 the Company Board comprised four members: 1 (25% female); 3 (75% male).

For further information on Schroders PLC employee gender diversity, covering more employee categories, please refer to Schroders 2021 Annual Report and Accounts (page 41): https://prod.schroders.com/en/sysglobalassets/annual-report/2021/documents/SCH032_2021_ARA_Full_PDF_Hi_Res_220309.pdf

Gender pay ratio (Diversity-Pay)
The remuneration of the Company Board is set out on page 45 of this Report and Accounts document.

Schroders PLC female representation and gender pay report can be found in Schroders 2021 Annual Report and Accounts (page 41) and the 2021 Gender Pay Gap Report:
- https://prod.schroders.com/en/sysglobalassets/annual-report/2021/documents/SCH032_2021_ARA_Full_PDF_Hi_Res_220309.pdf
- https://prod.schroders.com/en/sysglobalassets/annual-report/2021/documents/schroders-workforce-diversity--gpg-report-2021.pdf

Information on Diversity and Inclusion at Schroders can be found at:
- https://www.schroders.com/en/people/diversity-and-inclusion
- https://prod.schroders.com/en/sysglobalassets/annual-report/2021/documents/schroders-workforce-diversity--gpg-report-2021.pdf

The following are reported for Schroders in relation to the Investment Management of the Company:

Training and development (Emp-Training)
Schroders requires employees to complete mandatory internal training. Schroders encourages all staff with professional qualifications to maintain the training requirements of their respective professional body.

Employee performance appraisals (Emp-Dev)
Schroders performance management process requires annual performance objective setting and annual performance reviews for all staff. The Investment Manager confirms that performance appraisals were completed for 100% of investment staff relevant to the Company in 2021/22.

The following are reported for Schroders PLC:

Employee turnover and retention (Emp-Turnover)
For Schroders PLC turnover and retention rates please refer to Schroders Annual Report and Accounts (page 23):
https://prod.schroders.com/en/sysglobalassets/annual-report/2021/documents/SCH032_2021_ARA_Full_PDF_Hi_Res_220309.pdf.

Employee health and safety (H&S-Emp)
Schroders PLC does not include employee health and safety performance measures in its Annual Report and Accounts.

The following are reported in relation to the assets held in the Company's portfolio over the reporting period to 31 March 2021:

Asset health and safety assessments (H&S-Asset)
The table below sets out the proportion of the Company's total landlord-controlled portfolio where health and safety impacts were assessed or reviewed for compliance or improvement.

Sustainability Performance Measures (Social)
Continued

	Portfolio by floor area (%)	
	2020/21	**2021/22**
All sectors	100%	**100%**
Coverage	100%	**100%**

Asset health and safety compliance (H&S-Comp)
The table below sets out the number of incidents of non-compliance with regulations/and or voluntary codes identified across the landlord-controlled portfolio.

	Number of incidents	
	2020/21	**2021/22**
All sectors	0%	**0%**
Coverage	100%	**100%**

Community engagement, impact assessments and development programmes (Comty-Eng)
The table below sets out the proportion of the Company's total portfolio completed local community engagement, impact assessments and/or development programmes.

	Portfolio by number assets (%)	
	2020/21*	**2021/22***
Industrial: Distribution Warehouse	9%	**22%**
Industrial: Industrial Park	–	**–**
Industrial: Manufacturing	–	**–**
Mixed use: Other	–	**–**
Office: Corporate: High-Rise Office	–	**–**
Office: Corporate: Mid-Rise Office	5%	**–**
Retail: Retail Centres: Shopping Centre	17%	**15%**
Retail: Retail Centres: Warehouse	3%	**–**
Total	34%	**37%**

* Calculated using gross internal area (GIA).

Sustainability Performance Measures (Governance)

Composition of the highest governance body (Gov-Board)
The Board of the Company comprised four non-independent Directors (0 executive Board members) as at 30 September 2022:
– The average tenure of the three Directors to 30 September 2022 is five years and five months.
– The number of directors with competencies relating to environmental and social topics is 3/3 and their experience can be seen in their biographies.

Nominating and selecting the highest governance body (Gov-Select)
The role of the Nomination Committee, chaired by Sir Julian Berney Bt., is to consider and make recommendations to the Board on its composition so as to maintain an appropriate balance of skills, experience and diversity, including gender, and to ensure progressive refreshing of the Board. On individual appointments, the Nomination Committee leads the process and makes recommendations to the Board.

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 Nomination Committee is dedicated to selecting the best person for the role, it aims to promote diversification and the Board recognises the importance of diversity. The Board agrees that its members should possess a range of experience, knowledge, professional skills and personal qualities as well as the independence necessary to provide effective oversight of the affairs of the Company.

Process for managing conflicts of interest (Gov-Col)
The Company's Conflicts of Interest Policy sets out the policy and procedures of the Board and the Company Secretary for the management of conflicts of interest: https://www.schroders.com/en/identification-and-management-of-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.

Energy and Carbon Report

Schroder European Real Estate Investment Trust plc (the 'Company'/'SEREIT') 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).

The Company is within the scope of the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, (the 'Regulations') and is required to report on its UK energy use, associated Scope 1 (direct) and 2 (indirect) greenhouse gas ('GHG') emissions, an intensity metric and, where applicable, global energy use (as defined in section 92 of the Climate Change Act 2008). This reporting is also referred to as Streamlined Energy and Carbon Reporting ('SECR'). In addition, the Regulations advise providing a narrative on energy efficiency actions taken in the previous financial year.

This Energy and Carbon Report applies for the Company's Annual Report for the 12 months to 30 September 2022. The statement has however been prepared for the 12 months to 31 March 2022, to report annual figures for emissions and energy use for the period for which such information is available. The usage for the period 1 April 2022 to 31 March 2023 will be included in the Annual Report for the 12 months to 30 September 2023.

As a property company, energy consumption and emissions result from the operation of buildings. The reporting boundary has been scoped to those held properties where the Company retained operational control: where the Company is responsible for operating the entire building, shared services (e.g. common parts lighting, heating and air conditioning), external lighting and/or void spaces. 'Operational control' has been selected as the reporting boundary (as opposed to 'financial control' or 'equity share') as this reflects the portion of the portfolio where the Company can influence operational procedures and, ultimately, sustainability performance. This incorporates consumption in tenant areas, where the landlord procures energy for the whole building.

At 31 March 2022 the Company held six properties with operational control in total all of which are located in Continental Europe (i.e. outside of the UK and offshore area).

The Company is not directly responsible for any GHG emissions/energy usage at single let/Full Repairing and Insuring assets nor at multi-let assets where the tenant is counterparty to the energy contract. These emissions form part of the wider value chain (i.e. 'Scope 3') emissions, which are not required to be reported on and not monitored at present. As a real estate company with only one part time direct employee and no company owned vehicles as at 31 March 2022, energy consumption and emissions associated with travel and occupation of corporate offices is either not relevant or material to report. Fugitive emissions associated with refrigerant losses from air conditioning equipment are not typically collected and aggregated across portfolios by the industry, however over the next year will look to improve monitoring emissions associated with refrigerant losses.

In addition to reporting absolute energy consumption and GHG emissions, the Company has reported separately on performance within the 'like-for-like' portfolio, as well as providing intensity ratios, where appropriate. The like-for-like portfolio and intensity ratios include buildings where each of the following conditions is met:
- Owned for the full 24-month period (sales/acquisitions are excluded).
- No major renovation or refurbishment has taken place.
- At least 24 months' data is available.

Note also that voids where utility responsibility may be temporarily met by the Landlord are excluded.

For the intensity ratios, the denominator determined to be relevant to the business is square metres of gross internal area for most sectors, including Offices, Retail Warehouses and Industrial Parks. For Retail Shopping Centres, the most relevant denominator is common parts area. The intensity ratio is expressed as:
- Energy: kilowatt hours per metre square (gross internal area or common parts area) per year, or, $kWh/m^2/yr$.
- GHG: kilograms carbon dioxide equivalent per metre square (gross internal area or common parts area) per year, or, $kgCO_2e/m^2/yr$.

Energy consumption and greenhouse gas emissions
The table below sets out the Company's energy consumption.

	Absolute energy (kWh)		Like-for-like energy (kWh)	
	2020/21	**2021/22**	2020/21	**2021/22**
Gas	1,681,976	**1,976,587**	1,681,976	**1,976,587**
Electricity	2,797,208	**2,235,514**	2,674,994	**2,098,058**
District heating/District cooling	1,342,782	**1,703,675**	1,342,782	**1,703,675**
Total	5,821,966	**5,915,775**	5,699,752	**5,778,319**
Change in energy		**2%**		**1%**

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

	Absolute emissions (tCO_2e)		Like-for-like emissions (tCO_2e)	
	2020/21	**2021/22**	2020/21	**2021/22**
Scope 1 (Direct emissions from gas consumption)	404	**474**	404	**474**
Scope 2 (Indirect emissions from electricity)	975	**998**	926	**951**
Total	1,379	**1,472**	1,330	**1,425**
Change in emissions		**7%**		**7%**

The like-for-like energy consumption for the 2021 fiscal year for the managed assets held within the Company has increased by 1%, the greenhouse gas emissions have increased by 7%.

At the operational level for each asset, in 2020/2021 the occupancy and activity at the site was significantly reduced due to the COVID-19 pandemic. In 2021/2022 when COVID-19 restrictions eased, occupancy and activity increased across each of the assets. These factors are considered when analysing the energy and GHG % changes year on year.

The table below sets out the Company's like-for-like energy and GHG intensities by sector.

	Energy intensities (kWh per m^2)		Emissions intensities (tCO_2e per m^2)	
	2020/21	**2021/22**	2020/21	**2021/22**
Office: Corporate: High-Rise Office	178	**166**	31.9	**38.0**
Office: Corporate: Mid-Rise Office	61	**74**	19.5	**21.6**
Retail Centres: Warehouse	81	**82**	21.5	**21.4**
Retail Centres: Shopping Centre	238	**255**	60.3	**50.6**
Industrial: Industrial Park	117	**118**	42.2	**40.2**

Energy and Carbon Report
Continued

Methodology

- All energy consumption and GHG emissions reported occurred at the Company's assets all of which are located in Continental Europe (i.e. outside UK and offshore area).
- Energy consumption data is reported according to automatic meter reads, manual meter reads or invoice estimates. Historic energy and consumption data have been restated where more complete and or accurate records have become available. Where required, missing consumption data has been estimated through pro-rata extrapolation. Data has been adjusted to reflect the Company's share of asset ownership, where relevant.
- Data reported aligns with that reported under the EPRA Sustainability Reporting Performance Measures also disclosed within the Company's Report and Accounts. EPRA Sustainability Reporting Performance Measures have been assured by an independent third party, in accordance with AA1000 Assurance Standard. The Assurance Statement can be found on page 93.
- The Company's GHG emissions are calculated according to the principles of the Greenhouse Gas (GHG) Protocol Corporate Standard.
  - The Company's Greenhouse Gas Emissions are reported as tonnes of carbon dioxide equivalent (tCO_2e), which includes the following emissions covered by the GHG Protocol (where relevant and available greenhouse gas emissions factors allow): carbon dioxide (CO_2), methane (CH_4), hydrofluorocarbons ('HFCs'), nitrous oxide (N_20), perfluorocarbons ('PFCs'), sulphur hexafluoride (SF_6) and nitrogen triflouride (NF_3).
  - GHG emissions from electricity (Scope 2) are reported according to the 'location-based' approach.
  - The following greenhouse gas emissions conversion factors and sources have been applied:

Country	Emissions source	GHG emissions factor per kWh	Emissions factor data source
France	Electricity 2020	0.060kgCO_2e	CO_2 Emissions from Fuel Combustion, International Energy Agency (2020), (2021)
	Electricity 2021		
Germany	Electricity 2020	0.400kgCO_2e	CO_2 Emissions from Fuel Combustion, International Energy Agency (2020), (2021)
	Electricity 2021		
	District heating	0.247kgCO_2e	Process Data set: District heating mix, ÖKOBAUDAT, Federal Ministry of the Interior, Building and Community, Germany (2018)
Netherlands	Electricity 2020	0.420kgCO_2e	CO_2 Emissions from Fuel Combustion, International Energy Agency (2020), (2021)
	Electricity 2021		
Spain	Electricity 2020	0.260kgCO_2e	CO_2 Emissions from Fuel Combustion, International Energy Agency (2020), (2021)
	Electricity 2021		
France, Germany, Netherlands	Gas	0.240kgCO_2e	JRC Technical Reports. Covenant of Mayors for Climate and Energy: Default emission factors for local emission inventories (2017)

Environmental data management system and quarterly reporting

Energy Efficiency Actions

Environmental data for the Company is collated by sustainability consultants Evora Global supported by their proprietary environmental data management system SIERA. Energy, water, waste and greenhouse gas emission data are collected and validated for all assets where the portfolio has operational control on a quarterly basis.

Energy target, audits and improvement programme

Schroder Real Estate Investment Management (SREIM) has set energy and greenhouse gas emissions reduction targets in the context of its Better Buildings Partnership (BBP) Climate Commitment to achieve net zero carbon by 2050 aligned with a 'Paris Proof' 1.5oC decarbonisation trajectory. Forward looking Net Zero Carbon pathways have been modelled using the Carbon Risk Real Estate Monitor (CRREM) and have formed the basis of the Company's new energy and carbon targets as follows. Please note, all targets refer to a 2019 baseline.

- 2025 Carbon Intensity -20.8%
- 2030 Carbon Intensity -40.1%
- 2025 Energy Intensity -21.0%
- 2030 Energy Intensity -33.7%

SREIM together with sustainability consultants Evora Global and property managers looks to identify and deliver energy and greenhouse gas emissions reductions on a cost-effective basis. The programme involves reviewing all managed assets within the Company and identifying and implementing improvement initiatives, where viable. The process is of continual review and improvement.

Energy performance improvement initiatives undertaken during the financial year which have contributed to energy and GHG reductions include LED upgrades.

Renewable electricity tariffs and carbon offsets

SREIM has an objective to procure 100% renewable electricity for landlord-controlled supplies. At 31 March 2022 91% of the Company's landlord controlled electricity was on renewable tariffs. No carbon offsets were purchased during the reporting period.

Assurance Summary Statement

EVORA Global Ltd. ('EVORA') was engaged by Schroder Real Estate Investment Management Limited ('SREIM') to provide assurance of the sustainability content of Schroder European Real Estate Investment Trust plc ('SEREIT') 2021 Annual Report for the reporting period of 1 April 2020 31 March 2021.

The assurance was provided in accordance with AccountAbility's AA1000 Assurance Standard V3 (AA1000AS) Type 2 moderate level and EPRA Best Practice Recommendations for Sustainability Reporting (sBPR) 2017 3rd Edition. EVORA's scope of assurance covered a series of indicators and assertions contained in the report including:

- Absolute and Like-For-Like:
  - Electricity Consumption (kWh)
  - District Heating (kWh)
  - Fuels Consumption (kWh)
  - Water Consumption (m^3)
  - Greenhouse Gas (GHG) Emissions (tCO_2e)
  - Waste (tonnes)
- Intensity Calculations:
  - Energy (kWh/m^2)
  - GHG ($kgCO_2e/m^2$)
  - Water (m^3/m^2)
- Energy rating coverage (%)
- Green Building Certification coverage (%)
- Alignment check of SEREIT's reporting against EPRA sBPR Guidelines 2017 across all the performance measures.

EVORA's full assurance statement includes certain limitations, findings and recommendations for improvement, adherence to AA1000 Accountability Principles, and a detailed assurance methodology.

The full assurance statement with EVORA's independent opinion can be found at https://mybrand.schroders.com/m/319d66aa3ec9051c/original/SEREIT-Full-Assurance-Statement-2021-22-EPRA-Report-FV1-signed.pdf

EVORA

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000-288

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, as amended.
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 the European Public Real Estate Association.
EPRA earnings	represents the net income generated from the operational activities of the Group. It excludes all capital components not relevant to the underlying net income performance of the portfolio, such as the realised and unrealised fair value gains or losses on investment properties, and debt instruments, and unrealised gains or losses on currency translation.
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 JSE Limited.
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.
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 buybacks and issuance.
Net rental income	is the rental income receivable in the period after payment of ground rents and net property outgoings.
Passing rent	is the annual rental income currently receivable on a property as at the Balance Sheet date. This excludes rental income for rent free periods currently in operation and service charge income.
WAULT	is the weighted average unexpired lease term. This is the average time remaining to the next lease break date or lease expiry date.

Alternative Performance Measures (unaudited)

The Company uses the following Alternative Performance Measures ("APMs") in its Annual Report and Consolidated Financial Statements. The Board believes that each of the APMs provides additional useful information to the shareholders in order to assess the Company's performance.

Dividend Cover – the ratio of EPRA Earnings (page 78) to dividends paid (note 12) in the period. Earnings excludes capital items such as revaluation movements on investments and gains or losses on the disposal of investment properties.

Dividend Yield – the dividends paid, expressed as a percentage, relative to the share price.

EPRA Earnings – earnings excluding all capital components not relevant to the underlying net income performance of the Company, such as the unrealised fair value gains or losses on investment properties and any gains or losses from the sales of properties. See page 78 for a reconciliation of this figure.

EPRA Net Tangible Assets – the IFRS equity attributable to shareholders adjusted to reflect a Company's tangible assets and assumes that no selling of assets takes place.

EPRA Net Disposal Value – the IFRS equity attributable to shareholders adjusted to reflect the NAV under an orderly sale of business, where any deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability.

EPRA Net Reinstatement Value – IFRS equity attributable to shareholders adjusted to represent the value required to rebuild the entity and assumes that no selling of assets takes place.

Gross LTV – the value of the external loans unadjusted for unamortised arrangement costs (page 10) expressed as a percentage of the gross assets excluding cash as at the Balance Sheet date. The gross assets are calculated on a proportional basis and includes the Group's 50% share in the Seville joint venture.

LTV Net of Cash – the value of the external loans unadjusted for unamortised arrangement costs (page 10) less cash held (page 74) expressed as a percentage of the gross assets including cash as at the Balance Sheet date. The gross assets are calculated on a proportional basis and includes the Group's 50% share in the Seville joint venture.

Ongoing Charges (including fund only expenses) – all fund expenses (per the consolidated statement of comprehensive income) excluding any capital costs including capital expenditure or acquisitions/disposal fees or one off items expressed as a percentage of the average quarterly IFRS NAVs of the Company for the financial period.

Ongoing Charges (including fund and property expenses) – all fund and property expenses (per the consolidated statement of comprehensive income) excluding any capital costs including capital expenditure or acquisitions/disposal fees or one off items expressed as a percentage of the average quarterly IFRS NAVs of the Company for the financial period.

Share Discount/Premium – the share price of the Company is derived from buyers and sellers trading their shares on the stock market. This price is not identical to the NAV per share of the underlying assets less liabilities of the Company. If the share price is lower than the NAV per share, the shares are trading at a discount. Shares trading above the NAV per share are said to be at a premium. The discount/premium is calculated as the variance between the share price as at the Balance Sheet date and the NAV per share (page 10) expressed as a percentage.

NAV total return – the return to shareholders calculated on a per share basis by adding dividends paid (note 12) in the period on a time-weighted basis to the increase or decrease in the NAV per share (page 10).

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 Thursday, 2 February 2023 at 11.00 a.m. at 1 London Wall Place, London EC2Y 5AU. The formal Notice of Meeting is set out on pages 97 to 100. The following paragraphs explain the special business to be put to the AGM.

Special Business

Resolution 10– Directors' authority to allot ordinary shares (ordinary resolution) and Resolution 11 – Power to disapply pre-emption rights (special resolution)
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 authority 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.

Appropriate resolutions will be proposed at the forthcoming AGM and are set out in full in the Notice of AGM. An ordinary resolution will be proposed to authorise the Directors to allot 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 special resolution will also 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). This authority includes shares that the Company sells or transfers that have been held in treasury. The Board has established guidelines for treasury shares and will only reissue 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.

The Directors do not intend to allot shares pursuant to these authorities other than to take advantage of opportunities in the market as they arise and only if they believe it to be advantageous to the Company's existing shareholders to do so and when it would not result in any dilution of NAV per share.

If approved, both of these authorities will expire at the conclusion of the AGM in 2024 unless renewed, varied or revoked earlier.

Resolution 12 – Authority to make market purchases of the Company's own shares (special resolution)
At the AGM held on 8 March 2022, the Company was granted authority to make market purchases of up to 20,046,829 ordinary shares of 10 pence 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 2023 AGM will lapse at the conclusion of the AGM in 2024 unless renewed, varied or revoked earlier.

Recommendation
The Board considers that the resolutions relating to the above items of special business and the other items of business set out in the Notice of Meeting, including the re-election of Directors, 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 2022

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 Thursday, 2 February 2023 at 11.00 a.m. at 1 London Wall Place, London EC2Y 5AU to consider the following resolutions of which resolutions 1 to 10 will be proposed as ordinary resolutions and resolutions 11 to 12 will be proposed as special resolutions:

Ordinary Business

1. To receive the Report of the Directors and the audited accounts for the year ended 30 September 2022.
2. To approve the Directors' Remuneration Report for the year ended 30 September 2022.
3. To re-elect Sir Julian Berney Bt. as a Director of the Company.
4. To re-elect Mr Jonathan Thompson as a Director of the Company.
5. To re-elect Mr Mark Patterson as a Director of the Company.
6. To re-elect Mrs Elizabeth Edwards as a Director of the Company.
7. To re-appoint PricewaterhouseCoopers LLP as Auditors to the Company.
8. To authorise the Directors to determine the remuneration of PricewaterhouseCoopers LLP as Auditors to the Company.
9. To approve the Company's dividend policy as set out on page 37 of the Annual Report and Accounts for the year ended 30 September 2022.

Special Business

10. 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.'

11. 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 10 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 10 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.'

12. 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 Act to make market purchases (within the meaning of section 693 of the Act) of ordinary shares of 10 pence 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 10 pence, 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 2024 (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
Registered Office: 1 London Wall Place, London EC2Y 5AU

5 December 2022

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, Task ID and Shareholder Reference Number 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 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 11.00 a.m. on Tuesday, 31 January 2023. 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 Tuesday, 31 January 2023, 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 Tuesday, 31 January 2023 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 Directors offering themselves for re-election is set out in the Company's Annual Report and Accounts for the year ended 30 September 2022.

7. As at 5 December 2022, 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 2022 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 Annual General Meeting 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.

10. Members satisfying the thresholds in section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) which are to be laid before the Annual General Meeting; or (b) any circumstances connected with an auditor of the Company ceasing to hold office since the last Annual General Meeting, that the members propose to raise at the Annual General Meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement required to be placed on the website must also be sent to the Company's auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required to publish on its website.

11. Any corporation which is a member can appoint one or more corporate representatives. Members can only appoint more than one corporate representative where each corporate representative is appointed to exercise rights attached to different shares. Members cannot appoint more than one corporate representative to exercise the rights attached to the same share(s).

12. The Company's privacy policy is available on its website. Shareholders can contact Equiniti for details of how Equiniti processes their personal information as part of the AGM.

Information for shareholders on the South Africa register

Certificated shareholders 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) Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (Private Bag X9000, Saxonwold 2132, South Africa), faxed to +27 11 688 5238 or emailed to proxy@computershare.co.za to be received by no later than 1.00 p.m. (Johannesburg time) on Tuesday, 31 January 2023.

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.

Explanatory Notes to the Notice of Meeting
Continued

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 the form of proxy in a representative capacity (e.g. for a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to the 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 Annual 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 the Company's webpages.

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 Company's webpages.

Remuneration disclosures

The information required under the AIFMD 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 Company's webpages.

Publication of Key Information Document ('KID') by the AIFM

Pursuant to the Packaged Retail and Insurance Based Products ('PRIIPs') Regulation, the Investment Manager, as the Company's AIFM, is required to publish a short KID on the Company. KIDs are designed to provide certain prescribed information to retail investors, including details of potential returns under different performance scenarios and a risk/reward indicator. The Company's KID is available on its webpages. The calculation of figures and performance scenarios contained in the KID have been neither set nor endorsed by the Board.

AIFMD Disclosures (unaudited)

The Alternative Investment Fund Managers Directive ('AIFMD') remuneration and leverage disclosures for Schroder Real Estate Investment Manager ('SREIM') for the year to 31 December 2021.

Remuneration disclosures
These disclosures form part of the non-audited section of this Annual Report and Consolidated Financial Statements and should be read in conjunction with the Schroders plc Remuneration Report on pages 77 to 99 of the 2021 Annual Report & Accounts (available on the Group's website – https://www.schroders.com/en/investor-relations/results-and-reports/annual-report-and-accounts-2021/), which provides more information on the activities of our Remuneration Committee and our remuneration principles and policies.

The AIF Material Risk Takers ('AIF MRTs') of SREIM are individuals whose roles within the Schroders Group can materially affect the risk of SREIM or any AIF fund that it manages. These roles are identified in line with the requirements of the AIFM Directive and guidance issued by the European Securities and Markets Authority.

The Remuneration Committee of Schroders plc has established a remuneration policy to ensure the requirements of the AIFM Directive are met for all AIF MRTs. The Remuneration Committee and the Board of Schroders plc review remuneration strategy at least annually. The directors of SREIM are responsible for the adoption of the remuneration policy, for reviewing its general principles at least annually, for overseeing its implementation and for ensuring compliance with relevant local legislation and regulation. During 2021 the Remuneration Policy was reviewed to ensure compliance with the UCITS/AIFMD remuneration requirements and no significant changes were made.

The implementation of the remuneration policy is, at least annually, subject to independent internal review for compliance with the policies and procedures for remuneration adopted by the Board of SREIM and the Remuneration Committee. The most recent review found no fundamental issues but resulted in a range of more minor recommendations, principally improvements to process and policy documentation.

The total spend on remuneration is determined based on a profit share ratio, measuring variable remuneration charge against pre-bonus profit, and from a total compensation ratio, measuring total remuneration expense against net income. This ensures that the interests of employees are aligned with Schroders' financial performance. In determining the remuneration spend each year, the underlying strength and sustainability of the business is taken into account, along with reports on risk, legal, compliance and internal audit matters from the heads of those areas.

The remuneration data that follows reflects amounts paid in respect of performance during 2021.
- The total amount of remuneration paid by SREIM to its staff is nil as SREIM has no employees. Employees of SREIM or other Schroders Group entities who serve as Directors of SREIM receive no additional fees in respect of their role on the Board of SREIM.
- The following disclosures relate to AIF MRTs of SREIM. Those AIF MRTs were employed by and provided services to other Schroders group companies and clients. In the interests of transparency, the aggregate remuneration figures that follow reflect the full remuneration for each SREIM AIF MRT.
  The aggregate total remuneration paid to the 74 AIF MRTs of SREIM in respect of the financial year ended 31 December 2021 is £69.07 million, of which £47.92 million was paid to senior management, £17.16 million was paid to MRTs deemed to be taking risk on behalf of SREIM or the AIF funds that it manages and £3.99 million was paid to other AIF MRTs including control function MRTs.

For additional qualitative information on remuneration policies and practices see www.schroders.com/rem-disclosures.

Leverage disclosure
In accordance with AIFMD the Company is required to make available to investors information in relation to leverage. Under AIFMD, leverage is any method by which the exposure of the Company is increased through the borrowing of cash or securities, leverage embedded in derivative positions or by another means. It is expressed as a ratio between the total exposure of the Company and its net asset value and is calculated in accordance with the "Gross method" and the "Commitment method" as described in the AIFMD. The Gross method represents the aggregate of all the Company's exposures other than cash balances held in the base currency, while the Commitment method, which is calculated on a similar basis, may also take into account cash and cash equivalents, netting and hedging arrangements, as applicable.

The Investment Manager has set the expected maximum leverage percentages for the Company and calculated the actual leverages as at June 2022 as shown below (the Company calculates and externally reports its leverage one quarter in arrears):

	Maximum limit set	Actual as at 30.06.22
Gross leverage	200	122
Commitment leverage	240	144

There have been no changes to the maximum levels of leverage employed by the Company during the financial year nor any breaches of the maximum levels during the financial reporting period.

Corporate Information

Directors
Sir Julian Berney Bt.
Jonathan Thompson
Mark Patterson
Elizabeth Edwards

Investment Manager
Schroder Real Estate Investment Management Limited
1 London Wall Place
London EC2Y 5AU

Registered Office
1 London Wall Place
London EC2Y 5AU

Company Secretary
Schroder Investment Management Limited
1 London Wall Place
London EC2Y 5AU

Solicitors to the Company
Stephenson Harwood LLP
1 Finsbury Circus
London EC2M 7SH

Independent Auditors
PricewaterhouseCoopers LLP
7 More London
Riverside
London SE1 2RT

Property Valuers
Knight Frank LLP
55 Baker Street
London W1U 8AN

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

JSE Sponsor
PSG Capital (Pty) Limited
1st Floor, Ou Kollege Building
35 Kerk Street
Stellenbosch 7600

Corporate Broker – UK
Numis Securities Limited
10 Paternoster Square
London EC4M 7LT

Transfer Secretary
Computershare Investor Services (Pty) Limited
Private Bag X9000
Saxonwold 2132
South Africa

Registrar
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Shareholder Helpline:
0800 032 0641[1]

Website: www.shareview.co.uk

1 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.

Notes

Schroders

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Annual Report and Consolidated Financial Statements For the year ended 30 September 2022