Schroders

Schroder European Real Estate Investment Trust plc

Annual Report and Consolidated Financial Statements

For the year ended 30 September 2019

About Us: Investment Objective

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

Company Summary

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

At 30 September 2019 the Company had 133,734,686 shares in issue and had 15 subsidiaries and one branch which, together with the Company, form the Group.

The Company's investment manager is Schroder Real Estate Investment Management Limited (the 'Investment Manager'). The Investment Manager draws on the expertise of a team of over 200 professionals based locally, with capability in a range of disciplines including fund and portfolio management, research, acquisition due diligence, legal and tax structuring, fund accounting, reporting and investment management.

Investment strategy

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

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

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

Investment policy

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

Diversification

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

The value of any individual property at the date of its acquisition will not exceed 20% of the Company's gross assets.

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

Asset class and geographic restrictions

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

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

Other restrictions

The Company will not undertake the development of new property. However, completed newly-developed properties may be acquired under forward commitments where such acquisitions do not expose the Company to underlying development risk. The Company may also refurbish or improve existing properties with such refurbishments and improvements typically covering the replacing, improving or reconfiguring of a property that is already in existence and would typically be internal and within the existing envelope of that property. Any more substantial refurbishment or improvement of an existing property exposing the Company to development risk would not exceed 20% of the Company's gross assets.

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

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Highlights for the year to 30 September 2019

Dividend yield
5.5%

Dividend cover[1]
107%

NAV total return
4.1%

Property returns[2]
7.7%

Uplift against purchase price[2]
9.0%

Portfolio located in higher-growth regions
100%

Increased allocation to higher-growth logistics warehouse sector to
20%

LTV
29%

- Delivered an attractive dividend yield of 5.5% against net asset value ('NAV'), with a dividend cover of 107%
- NAV total return of 4.1%
- Underlying property portfolio total return of 7.7% (excluding the impact from transaction costs)
- Current portfolio valued at €242.7[3] million reflecting an uplift of approximately 9.0% on purchase price
- Allocation to higher growth logistics sector increased to 20% with the acquisition of a French logistics asset for €18.2 million
- Agreed a conditional new long-term lease and capex programme at the Group's largest asset, Boulogne-Billancourt office in Paris, providing future potential capital value and income upside
- Loan to value ('LTV') of 29%
- Achieved a Global Real Estate Sustainability Benchmark ('GRESB') Green Star for 2019

1 Calculated using EPRA measures.
2 Calculated on proportional basis.
3 Includes the Group's 50% share in the Seville property proportionally valued at €23.5m.

Highlights for the year to 30 September 2019 continued

Strategic[1]

Portfolio by value located in higher-growth regions

100%

(2018: 100%)

Agreed 18 new leases and lease regears with total annual rental income of

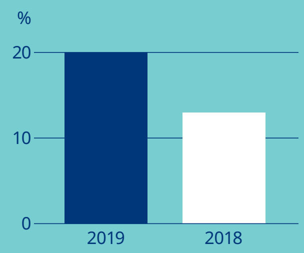
€1.6m

(2018: €1.3m)

Increasing allocation to higher growth logistics sector

20%

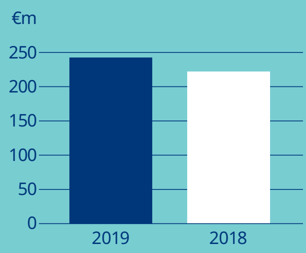
(2018: 13%)



Portfolio value

€242.7m

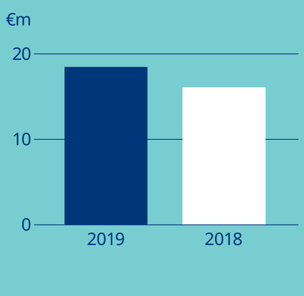
(2018: €222.0m)



Increased annualised rental income

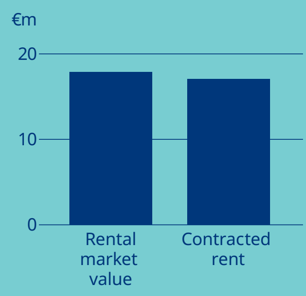
15%

(2018: €16.1m)



Market rental value above contracted rent

5%



1 Includes 50% of the joint venture property in Seville which is proportionally valued at €23.5m

Performance

Portfolio total return

1 year

7.7%

(2018: 10.8%)

3 years

9.6%

(2018: n/a)

Portfolio income return

1 year

7.2%

(2018: 7.5%)

3 years

7.0%

(2018: n/a)

Financial

Dividend yield

5.5%

(2018: 5.5%)

Dividend cover

107%

(2018: 109%)

Net asset value ('NAV') total return

4.1%

(2018: 7.5%)

Loan to value

29%

(2018: 26%)

Portfolio Overview – At a Glance

The Company aims to own a diversified portfolio of commercial real estate in Continental Europe with good property fundamentals. The Company targets 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.

Sectors[1]

Office (47%) (2018: 49%)

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

Industrial warehousing (20%) (2018: 13%)

The Company has continued to increase its exposure to the high growth warehouse and logistics sector. 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 and Rennes in France and benefit from supply constraints and rental growth prospects.

Retail (25%) (2018: 29%)

The Company's retail exposure consists of three urban retail assets (including one shopping centre) located in growth cities: Berlin, Frankfurt and Seville. The focus is on assets in the 'convenience' and 'experience' sectors. All assets are in strong residential growth areas with our largest exposure (Berlin) comprising four hectares of land with multiple alternative use potential.

Mixed (8%) (2018: 9%)

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 future potential opportunity from alternative use potential.

1 Includes the 50% share of joint venture property held in Seville.

Top ten properties

	Property	Sector	Value (€m) and percentage of portfolio (%)
1	Paris (B-B), France	Office	€41.6m (17.1%)
2	Paris (SC), France	Office	€37.9m (15.6%)
3	Berlin, Germany	Retail	€26.9m (11.1%)
4	Seville, Spain[1]	Retail	€23.5m (9.7%)
5	Apeldoorn, Netherlands	Mixed	€20.0m (8.2%)
6	Rennes, France	Industrial	€17.6m (7.3%)
7	Stuttgart, Germany	Office	€17.2m (7.1%)
8	Hamburg, Germany	Office	€16.7m (6.9%)
9	Frankfurt, Germany	Retail	€11.5m (4.7%)
10	Venray, Netherlands	Industrial	€10.3m (4.2%)

Number of properties[1]

13

Valued at[1]

€242.7m

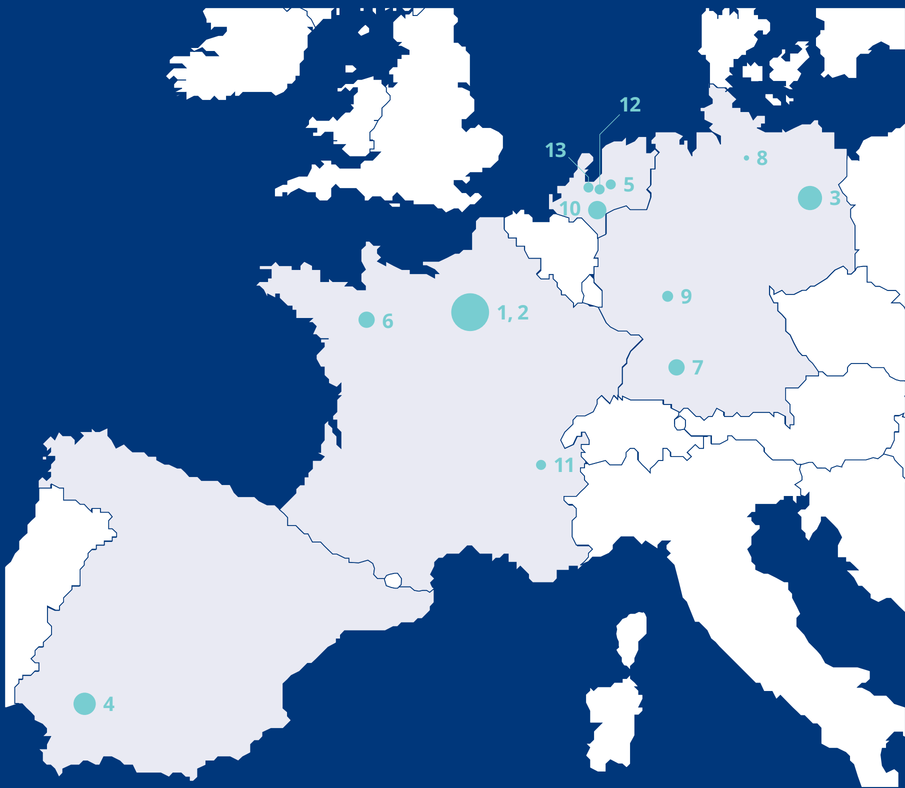
Number of tenants[1]

96

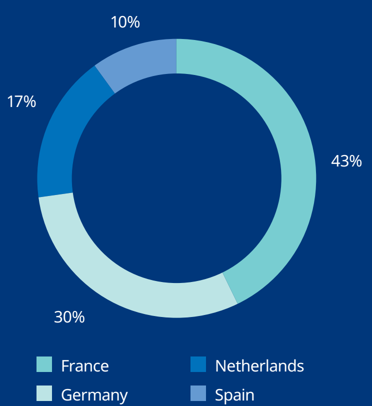
Occupancy[1]

94%

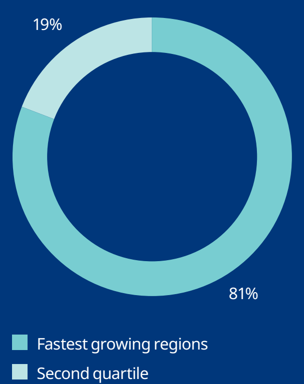
Remaining 3 properties as shown on map are:
11. Rumilly, France, Industrial
12. Houten, Netherlands, Industrial
13. Utrecht, Netherlands, Industrial



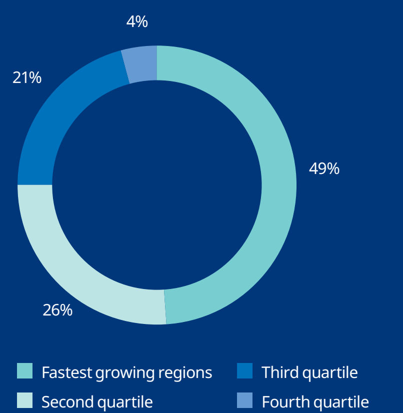
Portfolio country allocation[1]



% SEREIT capital value[1]



% investment universe capital value



1 Includes the 50% share of joint venture property held in Seville.

Investment Philosophy

A disciplined approach to investment

The portfolio is managed in accordance with an investment philosophy centred on consistent principles, which are to target high-growth locations, invest in strong asset fundamentals and to actively manage assets.

Mega themes

Long-term performance of real estate assets will be driven by structural changes or 'mega themes' arising from demographic, technological, environmental and other factors that are outside of the normal real estate market cycle.

1. Rapid urbanisation

40 global cities by 2025 with 10 million+ populations. The focus is on Winning Cities with faster growth in jobs and locations, where people wish to live and work.

2. Demographics

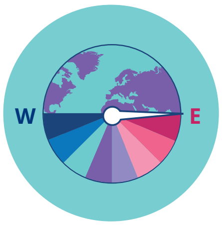
We are living longer and moving closer to cities. The focus is on real estate which attracts multiple types of uses and benefits from structural changes, e.g. hotels, care homes, office and retail.

3. Technology

The locations which attract the TMT (Technology Media Telecommunications) sector and demand for e-commerce will capture high growth.

4. Resources and infrastructure

Global demand for power and infrastructure is increasing. Locations with better infrastructure and resources/power will thrive.



5. Shift west to east

The shift of economic growth from west to east is changing demand. The focus is on locations that attract businesses which benefit from increasing demand from the east, such as luxury goods and education.

6. Impact investing

Positively impacting the environment and society will provide higher returns in the long run.

High-quality research

Research is focused on cyclical and structural trends in order to determine market strategy and exploit mispricing. In addition, to better understand real estate fundamentals, our research focuses on occupational demand at a town and city level and other factors such as construction starts, infrastructure investment and pricing relative to other assets.

Business plan-led approach

Every asset is managed as a business, with a detailed plan that is the key focal point for identifying and implementing active management strategies that will maximise returns.

Responsible and positive impact investment

Sustainability and Environmental Social Governance ('ESG') considerations are integral to good investment management and should generate better long-term returns, contribute to our tenants' business performance and create tangible benefits for the communities where we are invested.

Winning Cities

Demand is increasingly concentrated in 'Winning Cities', offering 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 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 and TMT hubs, value-add manufacturing.

Infrastructure improvements

Transport, distribution, energy, technology.

Employment growth

High-value new jobs, wealth effect, population growth.

Environment

Live and work, tourism and amenities, universities, cathedral cities, dominant retail and leisure.

Our Strategic Objectives

Strategic priorities

Exposure to Winning Cities and regions experiencing higher levels of GDP, employment and population growth

100% of the portfolio is located in higher growth regions and the strategy will continue to focus on Winning Cities and regions where GDP, employment and the population is forecast to grow faster than respective domestic economies.

Value enhancing active asset management

Asset management delivered via the Investment Manager's local teams, on the ground across Europe, is a key driver of returns. An example is the pre-let redevelopment of the Company's largest office asset in Paris that has the potential to create development profit and income growth. The completed investment will also improve the portfolio's 'winning city' exposure, quality, liquidity, unexpired lease term and covenant strength.

Increasing exposure to high growth sectors whilst maintaining portfolio diversification

The Company has reduced its retail allocation and diversified into the higher-yielding industrial warehousing sector. The portfolio is diversified across sectors, markets and tenants to both mitigate risks and enable tactical allocation to high growth assets.

Disciplined growth

Disciplined approach to growing the Company in a way that will improve shareholder returns.

Continuing to deliver on the investment strategy will support maximising income and long-term capital value growth for the Company

The key strategic steps are:

1 **Focus on delivering an asset management programme that strengthens portfolio quality and shareholder returns**

2 **Maintain investment discipline, considering opportunities for sales and reinvestment to optimise real estate portfolio**

3 **Keep under review potential options for growing the Company in a way that will enhance shareholder returns**

Performance Summary

Property performance[1]

	30 September 2019	30 September 2018
Value of property assets	€242.7m	€222.0m
Annualised rental income	€17.1m	€16.1m
Estimated open market rental value	€17.9m	€16.6m
Underlying portfolio total return	7.7%	10.8%
Underlying portfolio income return	7.2%	7.5%

Financial summary

	30 September 2019	30 September 2018
Net asset value (NAV)	€182.1m	€182.1m
NAV per ordinary share	136.2c	136.2c
EPRA NAV	€183.7m	€182.8m
NAV total return (euro)	4.1%	7.5%
IFRS profit after tax	€7.4m	€13.2m
EPRA earnings	€10.5m	€10.8m
Dividend cover	107%	109%
Equity raised (gross)	Nil	Nil

Capital values

	30 September 2019	30 September 2018
Share price[2]	114.0 pps/ZAR 20.38	114.5 pps/ZAR 21.26
NAV per share	120.8 pps/ZAR 22.48	121.3 pps/ZAR 22.36
Share price discount to NAV GBP/ZAR	(5.6%)/(9.3%)	(5.6%)/(4.9%)

Earnings and dividends

	30 September 2019	30 September 2018
IFRS earnings [3]	5.6 cps	9.9 cps
EPRA earnings	7.9 cps	8.1 cps
Headline earnings	7.9 cps	8.1 cps
Dividends declared	7.4 cps	7.4 cps
Annualised dividend yield of most recent dividend declared on the euro equivalent of the issue price as at admission	5.5%	5.5%

Bank borrowings

	30 September 2019	30 September 2018
External bank debt (excluding costs)[4]	**€73.0m**	€64.4m
Loan to value ratio net of cash based on Gross Assets	**29%**	26%

Ongoing charges[5]

	30 September 2019	30 September 2018
Ongoing charges (fund operating expenses only)	**1.96%**	1.95%
Ongoing charges (fund and property operating expenses)	**2.69%**	2.38%

1 Relates to the Group's share only and excludes the non-controlling interests in the Company's subsidiaries.
2 pps refers to pence per share.
3 cps refers to cents per share.
4 Includes the Group's 50% share of external debt in the Seville joint venture of €11.7 million and excludes unamortised finance costs of €0.9 million in order to reflect the outstanding loan amount.
5 Ongoing charges are calculated in accordance with AIC recommended methodology as a percentage of average NAV over a given period.

Chairman's Statement

Asset management positioning the Company for growth

Sir Julian Berney Bt.
Chairman

Overview

2019 has been an important year in positioning SEREIT to deliver long-term income and capital growth. New investments were made in the logistics/industrial sector, returning the Company to full investment. This took the portfolio weighting in this higher growth sector to 20%, compared to nil 18 months ago. There has also been success in progressing value-enhancing asset management initiatives, the most notable of which is at the Company's Paris office investment Boulogne-Billancourt. A conditional agreement for a long-term lease has been signed with the existing tenant Alten, in return for a comprehensive refurbishment of the building which is expected to start in mid-2020. This has the potential to deliver both NAV return upside and improve the longer-term income and portfolio profile.

Real estate markets in our target cities generally remain stable, which has supported an overall portfolio valuation uplift. However, certain sectors such as retail shopping centres are under pressure. The Company has seen this at its shopping centre in Seville, where rents and value have declined. The Investment Manager is continuing to implement asset management initiatives across the portfolio to mitigate such market risks.

Strategy

The Company's strategy is built around three core pillars, being: a focus on assets with strong fundamentals in Winning Cities and regions across continental Europe; diversification across sectors and tenants; and execution of value-enhancing investment and asset management via on the ground European teams.

All 13 of SEREIT's assets are situated in Winning Cities and regions, being those that are expected to generate higher and more sustainable levels of economic growth than their national averages (Source: Oxford Economics). These locations are characterised by themes such as technological and infrastructure improvements and urbanisation. Schroders uses its in-house economic and real estate research platform to assist with identifying such locations and also advises on how to capitalise on broader macro and micro trends such as e-commerce.

The increased diversification provided by the portfolio improves the defensive characteristics of the Company. The strategy also provides opportunities to tactically allocate between different sectors and investments to maximise returns. The portfolio is increasingly diversified by location and sector, and has around 100 tenants with a broad spread of lease expiries and exposure to different industries. The increase in the Company's weighting to the logistics/industrial sector and decrease in allocation to the retail sector is an example of a tactical strategic move implemented over the past 18 months. This orientates the Company to sectors which are forecast to deliver higher rental growth going forward.

Execution of the strategy is implemented by the real estate teams that Schroders has located on the ground across eight key European markets, including Paris and Frankfurt. This local presence is important in identifying sub-markets and assets benefiting from local market trends. It is also key to being able to build relationships with tenants to execute asset management initiatives. This was demonstrated by the work done with Alten to secure a conditional new long-term lease at the Paris Boulogne-Billancourt office investment.

Financial Results

Despite the challenging global political backdrop, the Company delivered stable financial results during the period. The NAV was unchanged at €182.1 million (€1.362 per share), despite the one-off costs of the tax restructuring of €2 million. The conclusion of 18 new leases and regear events generated a c.2% increase in annualised income underpinning dividend cover.

Balance sheet and debt

One new loan was completed during the year, an €8.6 million debt facility secured against the Rennes industrial acquisition. As at 30 September 2019 total third party debt was €73 million, representing a net loan to value ('LTV') of 29% against the overall gross asset value of the Group.

As announced post year end, the loan on the Saint-Cloud office building in Paris was increased by €4 million to €17 million and a new 3.5 year loan of €3.7 million was also taken against the Rumilly logistics asset in France. This takes total third party debt to €81 million, representing a net Loan to Value ('LTV') of approximately 31% against the overall gross asset value of the Company. The average weighted total interest rate of the loans is 1.4% per annum and all interest rates are either fixed or have caps to mitigate the impact of rising interest rates. The weighted average duration of the loans is 4.9 years.

The additional loans were drawn mainly to fund capital expenditure across the portfolio, including preliminary works at the Paris Boulogne-Billancourt office investment. The comprehensive refurbishment of this asset, that is being undertaken as part of the agreement for the new lease with Alten, is likely to be mainly funded with a new debt facility secured against that asset. This would take overall gearing to c.35% LTV. In parallel, the Company continues to keep under review other means of growing its available capital, such as raising equity or asset sales, in order to optimise the overall capital structure.

Dividend

The Company has declared a fourth interim dividend in respect of the year ended 30 September 2019 of 1.85 euro cents per share payable on 27 January 2020 to shareholders on the register on 10 January 2020. The total dividends in respect of the year amount to 7.4 euro cents per share.

The latest declared dividend represents an annualised rate of 5.5% based on the euro equivalent of the issue price at admission, again achieving the target dividend stated at IPO. Based on the Euro: GBP exchange rate and GBP share price as at 30 September 2019, this equates to an annualised dividend yield of 5.9%.

The dividends in respect of the year are approximately 107% covered from net income from the portfolio. Dividend cover over the next two years is expected to be reduced whilst the refurbishment of the Paris Boulogne-Billancourt office investment is completed. However, this project will be accretive to NAV and will improve the longer term income profile and dividend cover of the Company, with a new 10 year lease to a strong tenant being agreed in return for the refurbishment. In implementing the dividend strategy going forward, the Board will consider the shorter term cash generation of the Company, alongside the longer term sustainable rental income from the portfolio.

Outlook

Initiatives such as the Paris Boulogne-Billancourt refurbishment and lease regear demonstrate the potential to generate strong shareholder returns from our strategy of focusing on Winning European Cities and active asset management by local teams. Having a diverse portfolio of properties and tenants presents other asset management opportunities to improve value and income. Equally, it also provides defensive attributes if certain sectors or markets come under pressure, for example the exposure to the retail sector in the Seville shopping centre. Alongside the quality of the portfolio, execution of asset management initiatives such as improving the occupancy of the Hamburg and Seville assets will also reduce portfolio risk.

This will position the Company well to deliver on our long-term growth ambitions.

Sir Julian Berney Bt.
Chairman

6 December 2019

Investment Manager's Review

Focus on Winning Cities

Focus on growing net income and improving the portfolio's defensive characteristics.

Results

The Group's NAV at 30 September 2019, excluding non-controlling interests, was €182.1 million or 136.2 euro cents per share ('cps'), representing no change over the year. Including dividends, the NAV total return over the period was 4.1%.

The NAV movement includes one-off costs relating to tax restructuring of €2 million (1.5 cps). The restructuring was undertaken in response to changes to various European tax laws. The restructuring seeks to ensure the Company continues to have the most appropriate tax structure for its investment activities, post the changes to the tax laws. The potential tax changes were flagged in the 2019 Half Year Report and further details are provided in note 10 of the financial statements.

Deducting the interim dividend in respect of the quarter ending 30 June 2019, which was declared on 10 September 2019, and was paid on 21 October 2019 from income, the Company's NAV would have reduced to €179.6 million or 134.3 euro cents per share. This dividend was fully covered from income.

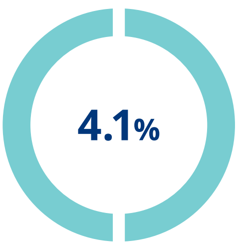
EPRA earnings were €10.5 million (2018: €10.8 million) and IFRS profit was €7.4 million (2018: €13.2 million).

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

NAV movement	€million[1]	Cps[2]	% change per cps[3]
As at 1 October 2018	**182.1**	**136.2**	**–**
Transaction costs of investments	(1.0)	(0.7)	(0.5)
Capital expenditure	(2.5)	(1.9)	(1.4)
Unrealised gain in valuation of the real estate portfolio	3.5	2.6	1.9
EPRA earnings[4]	10.5	7.9	5.7
Restructuring taxes	(2.0)	(1.5)	(1.1)
Non-cash/capital items	(1.1)	(0.8)	(0.6)
Dividends paid	(7.4)	(5.6)	(4.0)
As at 30 September 2019	**182.1**	**136.2**	**0.0**

1 Management reviews the performance of the Group principally on a proportionally consolidated basis. As a result, figures quoted in this table include the Group'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 2018.
4 EPRA earnings as reconciled on page 73 of the condensed consolidated financial statements.

NAV total return



Acquisition value during year

Strategy

The strategy over the year has focused on the following key objectives:

- Achieving full investment, targeting Winning Cities and regions and high growth sectors;
- Executing asset management initiatives to enhance both the long-term rental profile and individual asset value;
- Improving the Company's net income profile to support the target dividend yield of 5.5%; and
- Managing portfolio risk in order to enhance the portfolio's defensive qualities.

Progress has been made in executing the strategy and activity over the year which has delivered:

- Acquisition of two industrial warehouses in Rennes, France, thereby increasing the Group's industrial warehousing weighting to 20% and improving the portfolio diversification from a sector and tenant perspective;
- Return to full investment with 100% of the portfolio located in higher-growth cities;
- Agreeing a conditional heads of terms with Alten for a long-term lease in the Company's largest asset at Boulogne-Billancourt, Paris;
- Securing new lease agreements with three tenants for c.50% of the Hamburg space which were achieved at rents 13% above the business plan;
- Concluded 18 new lease and re-gear events (including Hamburg) across the portfolio, generating a c.2% increase in annualised income on a like-for-like basis and secured at a weighted lease term of c.9 years;
- Completion of a €0.8 million capital expenditure programme to improve the quality of Metromar Shopping Centre, Seville. Together with the opening of leisure specialist, Urban Planet, it will enhance the centre's defensive capabilities in an increasingly competitive local market and a challenging retail sector;
- Maintained a high occupancy level of 94%, with an average portfolio unexpired lease term of 6.4 years and 5.0 years to break; and
- A prudent loan to value ('LTV') of 29%.

Our focus continues to be on executing asset management to drive income and total returns for the existing portfolio, managing risks and positioning the Company for growth.
The specific next steps therefore include:

1. Conclusion of key asset management initiatives;
   a. Advancing the planning permit, detail design, construction tender and financing for the office investment in Boulogne-Billancourt, Paris;
   b. Leasing the remaining vacant space in Hamburg; and
   c. Continuing to actively manage the Company's sole shopping centre with a view to leasing vacant space and stabilising income.
2. Continue to actively engage with investors and consider new investment opportunities that can support the disciplined growth of the Company in a way that will improve shareholder returns.

Market overview

Economic outlook

The eurozone is currently a two-speed economy. The slowdown in world trade and investment has hit manufacturers and output has fallen by 1% since late 2018. Conversely, the services sector continues to grow, supported by solid labour markets, rising consumption and government spending. The risk is that the downturn in manufacturing deepens, possibly because of a disruptive Brexit or a further escalation of the trade dispute and then spreads to the services sector. The ECB has begun to loosen policy, but its room to manoeuvre is limited, given that the main financing rate is already at zero. However, low borrowing costs for governments provide some room for government stimulus. Schroders forecasts that eurozone GDP will grow by 1% p.a. through 2019/20. Sweden, France and Spain will probably see faster growth, while Germany, which has a relatively large manufacturing sector, is likely to lag behind.

Offices

The fall in office vacancy has slowed sharply this year, as demand has eased in step with the economy and as development has increased. Also, in many markets vacancy of quality space in key inner city markets has virtually run out. At 6.4% the average office vacancy in major European cities in mid-2019 was only slightly lower than at the end of 2018 (6.7%). While this could mark a turning point, we think that office rents are unlikely to fall in most cities given that developers and lenders are generally cautious and new building is low by historical standards. We expect office rental growth to slow, but remain positive through 2020/21, assuming the eurozone avoids a recession. Berlin, Madrid and Munich will likely see the biggest rise in average grade office rents over the next two years of 3–4% p.a., but most other cities will see rental growth of 1.5–2.5% p.a.

Logistics/industrial

Despite a fall in lettings to manufacturers this year, overall demand for warehouses in Continental Europe remains strong. Online retailers (e.g. Amazon, Zalando) have continued to expand and traditional retailers (e.g. Decathlon, IKEA) are also taking more space to support their online sales. In general, the growth in demand has been matched by supply and while there is a shortage of land for big warehouses around Hamburg, Munich and Rotterdam, occupiers have typically been willing to pre-let developments in smaller cities, provided they have an adequate labour force and good road connections. In the first half of 2019 two-thirds of logistics take-up in Germany was outside the big seven cities. As a result, rental growth in the logistics market has been limited to around 2% p.a., although some smaller warehouses, which are used for last mile deliveries in cities and where supply is more constrained, have seen stronger rental growth.

Retail

Demand for retail space in Continental Europe is weak as retailers adapt to growing online competition and fewer shoppers in their stores. While total retail sales in France and Germany could grow by 2–3% in 2019, store sales are likely to shrink. Several retailers have failed and even successful retailers like Inditex have closed more stores than they have opened over the last 12 months and use the weakness of the sector to renegotiate lease terms. In general shopping centres have been most affected, as hypermarkets have cut their non-food sales areas and clothing retailers have contracted, but the number of empty shops in city centres is also rising. We expect that prime shopping centre rents will fall in most European cities over the next three years and that prime shop rents will stagnate. The most defensive retail types are likely to be convenience food stores and out-of-town retail warehouses with affordable rents.

Investment Manager's Review continued

Real estate portfolio

The Company owns a portfolio of 13 institutional grade properties valued at €242.7[3] million as at 30 September 2019 (30 September 2018: €222.0 million). The properties are 94% let and located across Winning Cities and regions in France, Germany, Spain and The Netherlands. All investments are 100% owned except for the Metromar shopping centre, Seville, where the Company holds a 50% interest.

The top ten properties comprise 92% of the portfolio value:

				Value	
Rank	Property	Country	Sector	€m	% of total
1	Paris (B-B)[1]	France	Office	41.6	17%
2	Paris (SC)[2]	France	Office	37.9	16%
3	Berlin	Germany	Retail	26.9	11%
4	Seville[3]	Spain	Retail	23.5	10%
5	Apeldoorn	Netherlands	Mixed	20.0	8%
6	Rennes	France	Industrial	17.6	7%
7	Stuttgart	Germany	Office	17.2	7%
8	Hamburg	Germany	Office	16.7	7%
9	Frankfurt	Germany	Retail	11.5	5%
10	Venray	Netherlands	Industrial	10.3	4%
	Top ten properties			**223.2**	**92%**
11–13	Remaining three properties	Netherlands/France	Industrial	19.5	8%
	Total			**242.7**	**100%**

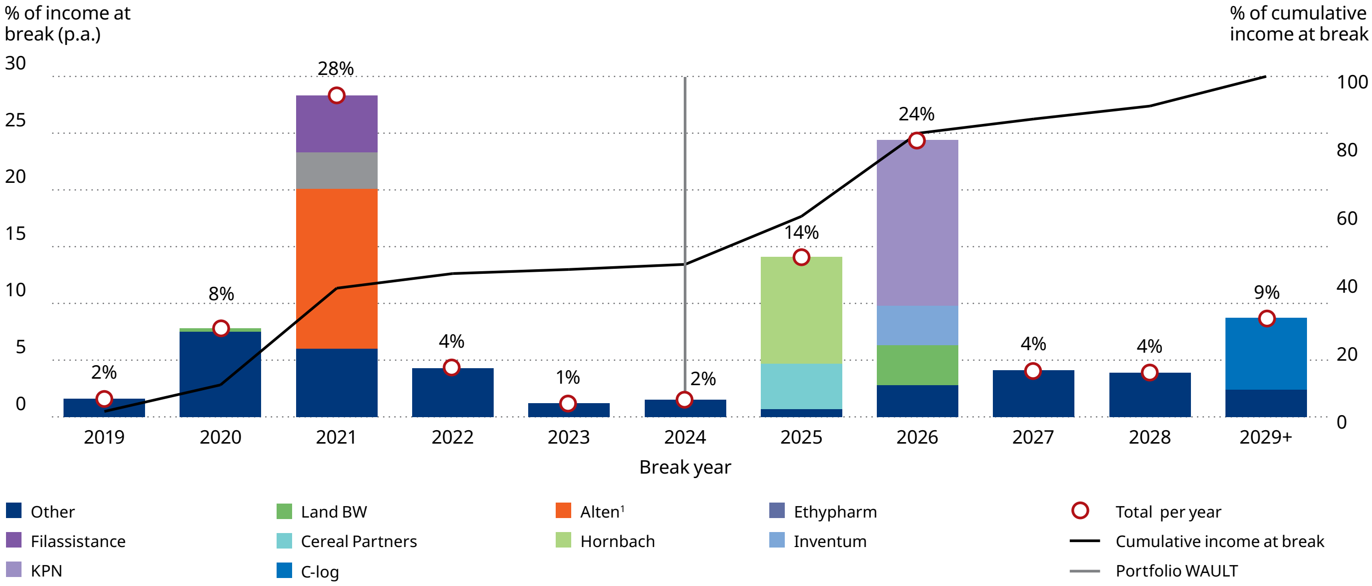
The table below sets out the top ten tenants which are from a diverse range of different industry segments and represent 68% of the portfolio:

			Contracted rent			
Rank	Tenant	Property	€m	% of total	WAULT break (yrs)	WAULT exp. (yrs)
1	KPN	Apeldoorn	2.5	15%	7.3	7.3
2	Alten	Paris (B-B)	2.4	14%	1.5	1.5
3	Hornbach	Berlin	1.6	10%	6.3	6.3
4	C-log	Rennes	1.0	6%	11.4	11.4
5	Filassistance	Paris (SC)	0.9	5%	2.3	7.3
6	Cereal Partners	Rumilly	0.7	4%	5.6	6.6
7	DKL	Venray	0.7	4%	9.0	9.0
8	LandBW	Stuttgart	0.7	4%	6.4	6.8
9	Inventum	Houten	0.6	3%	6.7	6.7
10	Ethypharm	Paris (SC)	0.5	3%	1.7	7.3
	Total top ten tenants		**11.6**	**68%**	**5.6**	**6.3**
	Remaining tenants[3]		5.5	32%	3.9	6.5
	Total[3]		**17.1**	**100%**	**5.0**	**6.4**

1 B-B refers to Boulogne-Billancourt.
2 SC refers to Saint-Cloud.
3 Includes the Group's 50% share in the Seville property proportionally valued at €23.5 million.

The portfolio generates €17.1 million p.a. in contracted income and has an estimated market rental value of €17.9 million. The average unexpired lease term is 5.0 years to first break and 6.4 years to expiry.

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



Portfolio performance

The current portfolio value of €242.7 million[1] reflects an increase of 9.0% (€20.1 million) compared to the combined purchase price. Transaction costs have been fully recovered through valuation uplifts since acquisition.

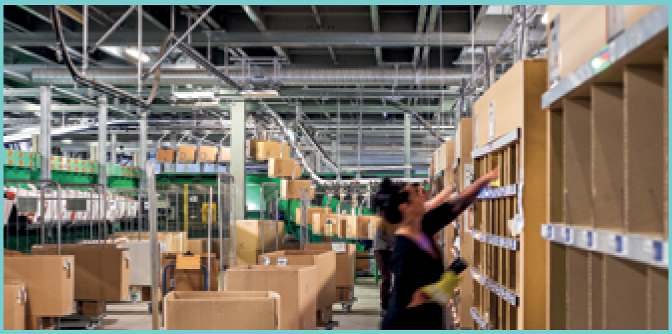
Over the last 12 months, the underlying property portfolio generated a total property return of 7.7% (7.3% when including the impact from transaction costs for the newly-acquired property in Rennes). Hereof, the portfolio income return amounted to 7.2% and the portfolio capital return to 0.5% (net of capex).

The largest contributors to portfolio performance during the last 12 months were the Paris Saint-Cloud, Stuttgart, Apeldoorn, Hamburg, Venray and Houten properties – all delivering above 10% total property returns. The Seville property was the main detractor from performance delivering -7.8% total return over the last 12 months.

1 A conditional lease has been signed with tenant Alten for a fixed ten year period, conditional on the completion of an extensive refurbishment.
1 Includes the Group's 50% share in the Seville property proportionally valued at €23.5 million.

Investment Manager's Review continued

Transactions and asset management



Acquisition

Rennes, C-log

Asset strategy
Acquired in March for €17.3 million for income and growth benefits, being let off a long-term 12 year lease and located in one of France's fastest growing regions from a GDP perspective.

Asset overview
Providing 23,852 sqm of institutional quality warehouse space across two adjacent buildings. The property is let to C-Log, the logistics subsidiary of Groupe Beaumanoir, the international fashion retailer, which has invested significantly in equipping the building with automated technology. The asset was acquired off a net initial yield of 5.9% and a capital value per sqm of €725.

During the hold period (six months to 30 September 2019), the property delivered a 5.0% total return.

Key activity and performance
The acquisition helped increase the Company's warehouse sector weighting to 20%, improved the portfolio unexpired lease term and overall building quality.

Asset management

Paris, Boulogne-Billancourt

Asset strategy
Repositioning opportunity regarding an office investment let off modest rents and located in a supply-constrained location with competing demands for uses.

Asset overview
6,800 sqm office building located in an established market in Paris's Western Crescent providing occupiers the ability to live, work and socialise.

During the financial year to 30 September 2019, the property delivered a 4.2% total return. Further upside may be achieved following conclusion of the key asset management activity below.

Key activity and performance
Signing (post period end) of a conditional long-term lease agreement with the Alten Group to occupy the entire premises, subject to refurbishing the building to grade A standard. Advancement of planning permission, detail design and cost feasibility analysis. In conjunction with the above we have progressed finance discussions with a number of lenders concerning the funding of refurbishment works. It will also materially enhance the company's asset quality, income profile, Winning Cities exposure and tenant covenant strength. Completion of the project has the potential to be accretive to the Company's NAV growth.

Asset management

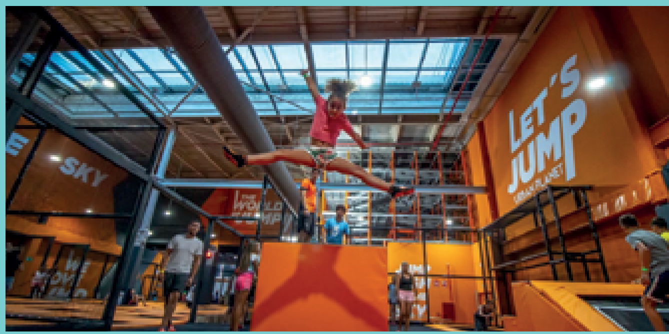
Paris, Saint-Cloud

Asset strategy
Acquired for its attractive initial yield, diverse tenancy profile, modest rents and long-term potential to benefit from transport infrastructure improvements (Grand Paris Express – Line 15 expansion).

Asset overview
15,800 sqm of office and storage accommodation located in 'Les Bureaux de la Colline', a well maintained 65,000 sqm office complex in Saint Cloud, an upscale suburban city bordering Paris. The office space offers flexible accommodation with views over Paris, Parc de Saint-Cloud and La Défense. Diverse tenancy profile with a high incidence of tenant retention given modest/affordable rents of c. €230/sqm.

During the financial year to 30 September 2019, the property delivered a 15.3% total return. The lease regears concluded during the year added significant value.

Key activity and performance
In September 2019 the Investment Manager concluded two new leases. Level five to Ascott Informatique on a standard 3/6/9 year lease with breaks and levels 6, 7 and 8 to Outscale on a new 6/9 year lease. Both leases reflect a 9% increase on previous rent.



Asset management

Seville, Metromar

Asset strategy
Spanish recovery play via the acquisition of a dominant urban shopping centre located in a fast growing suburb of Seville, Spain's fourth largest city. The strategy over the year was to undertake a light refurbishment and strengthen the entertainment point of difference in order to defend against competition.

Metromar is the portfolio's sole shopping centre and is one of only three assets in the retail sector. This sector has been most negatively impacted by structural changes. Whilst the two other retail properties have few or single occupiers that are large and stable, as a shopping centre Metromar has multiple tenants and has been negatively impacted with increased vacancy. We therefore remain constantly vigilant in our management of the asset and are actively reviewing new occupiers and marketing of the centre.

Asset overview
23,500 sqm urban shopping centre with a tenancy mix centred on grocery, fashion and leisure that services a local, growing catchment. The centre benefits from easy car access and is well serviced by public transport with frontage to the only train line that services this part of Seville to the city centre, making the area a key residential growth corridor.

During the financial year to 30 September 2019 the property delivered a -7.8% total return. This was a result of weakening valuation yields to reflect increased competition, structural shifts in retail and increased vacancy.

Key activity and performance
- Completed an €800,000 capital expenditure programme to improve the quality of the centre. Also added an additional leisure anchor, trampoline specialist Urban Planet (opened August 2019).
- Initiated a programme to achieve a BREEAM in-use certification of four stars (very good) for building performance and five stars (excellent) for management.
- Enhanced marketing to highlight the centre's points of difference around convenience, accessibility, entertainment and parking abundance relative to competition.

These measures seek to mitigate the risks of a weakening retail sector and increasing local competition which have led to an increase in vacancy in the centre. The measures increase the property's appeal to visitors and tenants.

Investment Manager's Review continued

Responsible and positive impact investment

Our approach to responsible investment has been continually upgraded over the last few years and we are increasingly seeking to assess and improve the positive impact of our investments. This involves the incorporation of environmental, social and governance issues as well as, importantly, the impact of our investments on the built environment and climate change risks and opportunities. The Investment Manager is aware of the importance of the impact its activities have on local environments and the performance of this area is being continually measured. 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 Global Real Estate Sustainability Benchmark ('GRESB').

Over the period the Company had the Metromar shopping centre, Seville reviewed from a BREEAM 'in use' perspective. The centre achieved a rating of four stars (very good) for building performance and five stars (excellent) for management. Both these ratings are expected to improve the portfolio's GRESB classification.

Finance

As at 30 September 2019, the Group's total external debt was €73.0 million, across six loan facilities. This represents a conservative Loan to Value of 29% against the Group's gross asset value.

The current blended all-in interest rate is 1.4%, significantly below the portfolio yield of 5.8% p.a, providing a favourable yield gap. The average unexpired loan term is 5.0 years.

Lender	Property	Maturity date	Outstanding principal[1]	Interest rate
Deutsche Pfandbriefbank AG	Berlin/Frankfurt	30/06/2026	16,500,000	1.31%
	Stuttgart/Hamburg	30/06/2023	14,000,000	0.85%
BRED Banque Populaire	Paris (SC)	15/12/2024	13,000,000	3M Euribor + 1.30%
Münchener Hypothekenbank[1]	Seville (50%)	22/05/2024	11,678,750	1.76%
HSBC Bank plc	Netherlands industrial	27/09/2023	9,250,000	3M Euribor + 2.15%
Saar LB	Rennes	28/03/2024	8,600,000	3M Euribor + 1.40%
Total			**73,028,750**	

1 All statistics in the Investment Manager's report reflect a 50% ownership share of Seville. As a result, debt allocations for those investments in the table above are similarly proportioned.

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

The French and Netherlands loans are based on a margin above three month Euribor. The Group has acquired interest rate caps to limit future potential interest costs if Euribor were to increase. The strike rate on the French cap is 1.25% p.a. and 1% p.a. for The Netherlands loan.

As announced post year end, the Group completed a €4 million increase to its existing debt facility secured against the Saint-Cloud asset, with Banque Populaire, taking the total loan to €17 million. The Group also completed a new 3.5 year loan of €3.7 million secured against the Rumilly logistics asset in France. This takes total third party debt to €80.7 million, representing a net Loan to Value ('LTV') of approximately 31% against the overall gross asset value of the Group. The average weighted total interest rate of all the loans in the portfolio, including these two new loan amounts, is 1.4% p.a. and all interest rates are either fixed or have caps to mitigate the impact of rising interest rates. The weighted average duration of all the loans in the portfolio is 4.9 years.

Outlook

The Company's portfolio is 100% allocated to 'Winning Cities', those cities that will grow faster than their domestic economies from a GDP, employment and population perspective. This has been the central theme to constructing the portfolio and is expected to position the Company well for the future. This will be particularly important if risks around the economic and political backdrop increase.

We continue to focus on asset management as a means to grow shareholder returns. The Paris refurbishment initiative is a good case in point. Successful completion will not only strengthen portfolio real estate fundamentals but also provide opportunity to deliver profits. Other asset management initiatives, such as leasing vacant accommodation in Hamburg and Seville will also be important in supporting the income profile of the Company.

The Company is well placed to deliver on its strategy.

Schroder Real Estate Investment Management Limited

6 December 2019

Strategic Review

Business model
The Company carries on business as an investment trust. It 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 15 subsidiaries, details of which are set out in note 14 on page 64. During the year under review, the Company established a branch in France.

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

Investment objective and policy
Details of the Company's investment objective and policy may be found on the inside front cover.

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

Investment strategy
Details of the Company's investment strategy are set out on the inside front cover.

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 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 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.

Promotion is focused via three channels:

– Discretionary fund managers. The Investment Manager promotes the Company via both London and regional sales teams. This market is currently a significant channel;
– Execution-only investors. The Company promotes its shares via engaging with platforms and through its webpage. Platforms have experienced strong growth in recent times and are an important focus for the Investment Manager; and
– Institutional investors.

These activities consist of investor lunches, one-on-one meetings, regional road shows and attendances at conferences for professional investors. In addition, the Company's shares are supported by the Investment Manager's wider marketing of investment companies targeted at all types of investors; this includes maintaining close relationships with advisers 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.

Key performance indicators

The Board measures the development and success of the Company's business through achievement of the Company's investment objective, which 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 (targeting an annualised euro dividend yield of 5.5% based on the euro equivalent of the share price at admission) 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.

Board gender diversity

As at 30 September 2019, the Board comprised three men. The Board's approach to diversity is that candidates for Board vacancies are selected based on their skills and experience, which are matched against the balance of those of the overall Board, taking into account the specific criteria for the role being offered. Candidates are not specifically selected on the grounds of their gender, but this is taken into account in terms of overall balance, skillset and experience. Further information is set out on page 35.

Anti-bribery and corruption policy

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

Key information document ('KID')

An updated KID for the Company has been published by the Investment Manager, in accordance with the Packaged Retail and Insurance-Based Investment Products Regulations. The calculation of figures and performance scenarios contained in the KID have been neither set nor endorsed by the Board.

Strategic Review continued

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

Sustainability report

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

The importance of environmental and social changes are investment factors that the Board and Investment Manager must understand to protect Company assets from depreciation and optimise the portfolio's value potential.

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 improvements. Ignoring these issues when considering asset management and investments would risk the erosion of income and value as well as missing opportunities to enhance investment returns.

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

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

The Investment Manager is evolving its investment philosophy to incorporate 'positive impact' investing, this aims to proactively take action to improve social and environment outcomes. The Investment Manager has mapped key impacts to the UN Sustainable Development Goals and uses these to focus sustainability programmes for funds and assets. The Investment Manager will report on its progress with this impact programme in next year's Annual Report.

A good investment strategy must incorporate environmental, social and governance factors alongside traditional economic considerations. The Board and the Investment Manager believe a complete approach should be rewarded by improved investment decisions and performance.

Further information on the Investment Manager's sustainable investment approach and its 2019 Sustainability Policy can be found at https://www.schroders.com/en/uk/realestate/products--services/sustainability/.

Environmental management system

The Investment Manager, led by its Head of Sustainability and Impact Investment, and supported by sustainability and energy management consultancy Evora Global operates an environmental management system ('EMS'). The EMS is aligned with the internationally recognised standard ISO 14001. The EMS provides the framework for how sustainability principles (environmental and social) are managed throughout all stages of its investment process including acquisition due diligence, asset management, property management provided by third parties, refurbishments and developments. The Investment Manager reviews its sustainability policy annually which is approved by the Investment Committee. Key aspects of the policy performance against 2018's objectives and targets, as well as objectives and targets for the year ahead, are set out below.

The Investment Manager's investment management process requires annual fund strategy statements and business plans to include sustainability considerations.

Property manager sustainability requirements

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

Objectives and targets

Energy and GHG emissions

Active management of energy consumption and GHG emissions is a key component of responsible asset and building management. Improving energy efficiency and reducing energy consumption will benefit tenants' occupational costs and may support tenant retention and attraction, in addition to mitigating environmental impacts and helping to futureproof the portfolio against future legislation. Therefore, where the landlord retains operational control responsibilities, the Investment Manager monitors the Company's energy usage and efficiency on a quarterly basis. The Investment Manager has set an energy and GHG emissions reduction target of 3% for its German portfolio for the three years to 2020/21 against a 2017/18 baseline, and which includes the assets of the Company. The Investment Manager is in the process of establishing targets for the Company's other assets and countries, where relevant (i.e. where there are landlord energy management responsibilities).

In support of achieving these targets and improving the efficiency of the portfolio, the Investment Manager is working with Evora Global and the Company's property managers to identify and deliver energy and GHG emissions reductions on a cost-effective basis. The programme involves identifying and implementing improvement initiatives, where viable.

The Investment Manager can report a -6% reduction in like-for-like landlord obtained energy between the reporting years 2017/18 and 2018/19. Energy improvement initiatives as well as a milder winter are likely to have contributed to this result. For detailed energy performance data covering the reporting period and the prior year, please see the European Public Real Estate Associate ('EPRA') Sustainability Reporting Performance Measures the Company.

The Investment Manager has an objective to procure 100% renewable electricity for landlord-controlled supplies. In 2018/19, 10% of the electricity procured on behalf of the Company was procured through a green tariff.

Water
Fresh water is a finite resource of increasing importance for the environment and society and reductions in consumption can deliver operational cost efficiencies. The Investment Manager monitors water consumption where the landlord has supply responsibilities and encourages active management of asset-level consumption. Where the Company had such responsibilities, a 7% reduction in like-for-like water consumption is reported for the year 2018/19 compared to 2017/18.

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 Investment Manager therefore monitors waste generation and disposal where it has operational control and has an objective to send zero waste direct to landfill and to achieve optimal recycling.

During 2018/19, The Investment Manager sent zero waste direct to landfill.

Refurbishments and green building certifications
The Investment Manager seeks to deliver developments and refurbishments to sustainable standards and deliver good performance against building certifications, including Energy Performance Certificates ('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 Investment Manager's guiding principles for projects.

EPCs for the operational portfolio are regularly reviewed. The EPC profile for the portfolio is set out within the European Public Real Estate Association ('EPRA') Sustainability Reporting Performance Measures on page 81.

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

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

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

Compliance with legislation
The Investment Manager monitors requirements and guidance in relation to managing and reporting environmental matters and developments in legislation at all stages of the property lifecycle – from acquisition, through ownership, to disposal. This process is supported by legal review within the EMS process 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.

Mandatory GHG reporting
A statement on GHG emissions is made on page 34.

Strategic Review continued

Industry initiatives

EPRA sustainability reporting performance measures
This report includes environmental performance indicator data for the portfolio that is aligned with EPRA Best Practices Recommendations on Sustainability Reporting 2017. This information is included in the Company EPRA performance measures report on pages 76 to 84.

Global real estate sustainability benchmark
The Company participated in the annual GRESB survey for the Company in 2019 and achieved a Green Star. GRESB is the dominant global standard for assessing Environmental social and governance performance for real estate funds and companies.

The Investment Manager intends to participate in the survey for the Company in 2020 with the objective of achieving a Green Star rating: this rating is achieved where scores for the two dimensions of Management and Policy and Implementation and measurement are at least 50 out of 100 points.

Industry participation
The Investment Manager is a member of a number of industry bodies including the EPRA, the European Association for Investors in Non-Listed Real Estate Vehicles ('INREV'), the 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 had no direct employees at 31 March 2019, the relevant date for this report (being the period for which environmental performance data is available). The Investment 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 Investment Manager's real estate team have a sustainability objective within their annual objectives.

Further information on Schroders' principles in relation to people including diversity, gender pay gap, values, employee satisfaction survey, wellbeing and retention can be found from page 30 of Schroders Annual Report and Accounts 2018.
https://www.schroders.com/en/sysglobalassets/digital/global/annual-report/documents/annual-report-full.pdf

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

Full information on Schroders' corporate responsibility approach including its economic contribution, environmental impacts and community involvement, can be found at http://www.schroders.com/en/about-us/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 conditions under that Act that required such a statement.

The Investment Manager is part of Schroders plc and its statement on slavery and human trafficking has been published in accordance with the Act. It sets out the steps that Schroders plc and other relevant group companies took during 2018, and planned to take during 2019, to prevent slavery and human trafficking from taking place in its supply chains or any part of its business.

Schroders plc's statement can be found at http://www.schroders.com/en/about-us/corporate-responsibility/slavery-and-human-trafficking-statement/

Principal risks and uncertainties

The Board is responsible for the Company's system of risk management and internal control and for reviewing its effectiveness. The Board has adopted a detailed matrix of principal risks affecting the Company's business as an investment trust and has established associated policies and processes designed to manage and, where possible, mitigate those risks, which are monitored by the Audit and Valuation Committee on an ongoing basis. This system assists the Board in determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives. Both the principal risks and the monitoring system are also subject to robust review at least annually. The last review took place in November 2019.

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.

The Board has considered the potential risks arising from the UK's departure from the European Union. Due to the Group's activities predominantly being based in Europe, the Board does not consider the UK's departure will have any adverse impact, but continues to keep the matter under review. Given the Company's UK listing, the board is also mindful that changes to public policy in the UK could impact the Company in the future.

A summary of the principal risks and uncertainties faced by the Company which have remained unchanged throughout the year ended 30 September 2019, and actions taken by the Board and, where appropriate, 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
Investment management The Investment Manager's investment strategy, if inappropriate, may result in the Company underperforming the market and/or peer group companies, leading to the Company and its objectives becoming unattractive to investors.	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. In the wider economy this could include inflation or deflation, 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. Deterioration in certain real estate markets may affect gearing covenants.	The Board considers economic conditions and the uncertainty around political events when making 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. 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.
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.

Strategic Review continued

Risk	Mitigation and management
Gearing and leverage The Company utilises credit facilities. These arrangements increase the funds available for investment through borrowing. While this has the potential to enhance investment returns in rising markets, in falling markets the impact could be detrimental to performance.	Gearing is monitored at quarterly board meetings and ad hoc as required and strict restrictions on borrowings imposed.
Accounting, legal and regulatory 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 of Directors. 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.
Valuation Property valuations are inherently subjective and uncertain, due to the individual nature of each property.	External valuers provide independent valuation of all assets at least quarterly. Members of the Audit and Valuation Committee meet with the external valuers to discuss the basis of their valuations and their quality control processes on a quarterly basis. The Audit and Valuation Committee includes an experienced chartered surveyor.
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.

Risk assessment and internal controls

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

A full analysis of the financial risks facing the Company and its subsidiaries is set out in note 23 on pages 68 to 71.

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 5.0 years and the average unexpired lease term, assuming all tenants vacate at the earliest opportunity, is 5.0 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 27 and 28, 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/re-letting 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 27 and 28 are also taken into account.

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

Going concern

The Directors have examined significant areas of possible financial risk and have reviewed cash flow forecasts and compliance with the debt covenants, in particular the LTV covenant, interest cover ratio and rental income projections. They have not identified any material uncertainties which would cast significant doubt on the Company'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 financial statements. The Directors have satisfied themselves that the Company has adequate resources to continue in operational existence for the foreseeable future.

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

By order of the Board

Schroder Investment Management Limited
Company Secretary

6 December 2019

Board of Directors

Sir Julian Berney Bt.
Independent Non-Executive Chairman

Date of appointment: 6 November 2015

Aged 67, has over 40 years' real estate experience. During this period he has worked on property investment portfolios in the UK, Scandinavia, and Continental Europe. In recent years he has assisted Cityhold, part of the National Pension Fund of Sweden, to acquire and manage its property investment portfolio in the UK and Continental Europe. Formerly he was a director at BNP Paribas Real Estate Investment Management with responsibilities to its European fund and with Aberdeen Property Investors to develop its property funds. A large part of his career was at Jones Lang LaSalle where he was an international director and held a number of senior appointments including chairman of the Scandinavian businesses, a director of the European business team, and a member of the European Capital Markets board. He is a Fellow of the Royal Institution of Chartered Surveyors.

Committee membership: Audit and Valuation, Management Engagement and Nomination and Remuneration Committees (Chairman of the Nomination and Remuneration 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 Mark Patterson
Independent Non-Executive Director

Date of appointment: 29 October 2015

Aged 65, 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 of Nigeria plc, an operating partner with Corsair Capital and was formerly with Standard Chartered Bank where he had been responsible for the development and execution of Standard Chartered's inorganic growth strategy and where he led a number of the bank's acquisitions and investments as well as its own equity fundraisings. He had previously held senior investment banking positions with Australia and New Zealand Bank and with Deutsche Bank. He graduated from Oxford University, qualified as a solicitor and worked with Slaughter and May prior to his move into banking.

Committee membership: Audit and Valuation, Management Engagement and Nomination and Remuneration Committees (Chairman of the Management Engagement Committee)

Current remuneration: £35,000 per annum

Material interests in any contract which is significant to the Company's business: None

Shared directorships with any other Director of the Company: None

Mr Jonathan Thompson
Independent Non-Executive Director

Date of appointment: 29 October 2015

Aged 61, is the non-executive chairman of the Argent group of real estate regeneration, development and investment businesses, the non-executive director and chairman of the audit committee at Phoenix Spree Deutschland Limited, a London premium listed investment business specialising in Berlin residential property, and an independent member of the investment advisory board to a family wealth fund. He is the past chairman of the Investment Property Forum and a former 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 and Valuation, Management Engagement and Nomination and Remuneration Committees (Chairman of the Audit and Valuation Committee)

Current remuneration: £35,000 per annum

Material interests in any contract which is significant to the Company's business: None

Shared directorships with any other Director of the Company: None

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 2019.

Dividend and dividend policy

Having already paid interim dividends amounting to 5.55 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 2019, which is payable on 27 January 2020 to shareholders on the Register on 10 January 2020. Thus, dividends for the year amount to 7.4 euro cents (2018: 7.4 euro cents) per share.

The Company targets an annualised euro dividend yield of 5.5%, based on the euro equivalent of the issue price as at admission.

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

Directors and their interests

The Directors of the Company and their biographical details can be found on pages 30 and 31. All Directors held office throughout the year under review. Details of Directors' share interests in the Company are set out in the Remuneration Report on page 41.

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

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

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

The Board, having taken all relevant matters into account, considers that Mr Mark Patterson continues to demonstrate commitment to his role, provides a valuable contribution to the deliberations of the Board, remains free from conflicts with the Company and its Directors, and has sufficient time available to discharge his duties effectively. It therefore recommends that shareholders vote in favour of his re-election.

Share capital

As at the date of this Report, the Company had 133,734,686 ordinary shares of 10p each in issue. No shares are held in treasury. Accordingly, the total number of voting rights in the Company at the date of signing this Report is 133,734,686. There have been no changes to the Company's share capital during the year under review.

Substantial share interests

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

	Number of ordinary shares as at 30 September 2019	Percentage of total voting rights
Truffle Asset Management Pty Ltd	**13,374,389**	10.00
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

There have been no notified changes to the above holdings as at the date of this 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 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 £450.8 billion (as at 30 September 2019) 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 2019 amounted to €1,904,000 (2018: €1,958,000).

During the year ended 30 September 2019 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 6 on page 58.

The Board reviews the Investment Manager's performance at its quarterly Board meetings. In addition, the Board considered portfolio strategy and the Investment Manager's capabilities at its annual strategy meeting. Subsequently, in November 2019, the Management Engagement Committee formally discussed the performance of the Investment Manager and its fees. On the basis of this review, the Board remains satisfied that the Investment Manager has the appropriate capabilities required to allow the Company to achieve its investment objective, and believes that the continuing appointment of the Investment Manager is in the 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.

Corporate governance statement

The Board is committed to high standards of corporate governance and has implemented a framework for corporate governance which it considers to be appropriate for an investment trust in order to comply with the principles of the UK Corporate Governance Code (the 'Code'). The disclosures in this statement report against the provisions of the Code, as revised in April 2016. The Code is published by the UK Financial Reporting Council and is available to download from www.frc.org.uk.

The Board has noted the publication of a further revised UK Corporate Governance Code in July 2018, which applies to financial years beginning on or after 1 January 2019. The Board will report fully against the new code for the financial year ending 30 September 2020.

Compliance statement
The UK Listing Authority requires all companies with a listing on the premium segment of the London Stock Exchange to disclose how they have complied with the provisions of the Code. This Corporate Governance Statement, together with the Statement of Directors' Responsibilities set out on page 38 and the viability and going concern statements set out on page 29, indicate how the Company has applied the Code's principles of good governance and its requirements on internal control.

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

Operation of the Board

Chairman
The Chairman is an independent non-executive Director who is responsible for leadership of the Board and ensuring its effectiveness in all aspects of its role. The Chairman's other significant commitments are detailed on page 30. He has no conflicting relationships.

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

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

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

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

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

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

Directors' Report continued

Board evaluation
In order to review the effectiveness of the Board, its Committees and the individual Directors, a thorough evaluation process is in place. This is implemented by way of a questionnaire and discussions with the Chairman. In respect of the Chairman himself, discussions are held between the Directors and the Audit and Valuation Committee Chairman. The process is considered by the Board to be constructive in terms of identifying areas for improving the functioning and performance of the Board and the Committees, the contribution of individual Directors and building and developing individual and collective strengths. The last evaluation took place during 2019.

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 judgment is given in their favour by the Court. This indemnity was in place throughout the year under review and to the date of this report. 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.

Mandatory greenhouse gas (GHG) emissions statement
Although the Company's year end was 30 September 2019, its GHG footprint is calculated according to the principles of the GHG Protocol and reported for the 12 month period to 31 March 2019, the period for which environmental performance data including GHG information is available. At 31 March 2019, the Company held 13 properties. The reporting boundary has been scoped to where the Company has operational control: where the Company is responsible for payment of utility invoices. '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 Company's GHG emissions are reported as tonnes of carbon dioxide equivalent (tCO_2e), which includes the following emissions covered by the GHG Protocol (where available GHG emissions factors allow): carbon dioxide (CO_2), methane (CH_4), hydrofluorocarbons (HFCs), nitrous oxide ($N^2 0$), perfluorocarbons (PFCs) and sulphur hexafluoride (SF_6).

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

As a real estate company with no direct employees as at 31 March 2019 there are no associated travel emissions within direct operational control. Fugitive emissions associated with refrigerant losses from air conditioning equipment are considered de minimis and therefore not reported.

Greenhouse Gas Emissions (Absolute Scope 1 and 2 emissions – tCO_2e)
The table below sets out the Company's GHG emissions.

	Absolute emissions (tCO_2e)	
	2017/18	2018/19
Scope 1 (managed portfolio gas use)	173	**573**
Scope 2 (managed portfolio electricity & district heating use)	617	**605**
Total – Scope 1 and 2	789	**1,178**

Greenhouse Gas Emissions (Scope 1 and 2 emissions intensities – tCO_2e per m²)
The table below sets out the Company's GHG emissions intensities by sector. A tCO_2e per m² intensity measure is reported only for sectors with assets in the 'like for like' portfolio. The like for like portfolio removes assets that were purchased, sold, under refurbishment or affected by data quality during the periods. The numerator is landlord managed GHG emissions from energy consumption and the denominator is net lettable floor area (m²).

	Emissions intensities (tCO_2e per m²)	
	2017/18	2018/19
Offices	0.0203	**0.0182**
Retail, Warehouse	0.0216	**0.0220**

Methodology
- Emissions data relates to the managed portfolio only:
  - Offices: Common parts, shared services and/or tenant space, where procured by the landlord
  - Retail, Shopping Centre: Common parts
  - Retail, Warehouse: Common parts and shared services
  - Industrial, Warehouse: Whole building
- GHG emissions associated with electricity consumed directly by tenants is not reported.
- The following GHG emissions conversion factors have been applied:

<table>
<tr><th>Country</th><th>Electricity</th><th>Gas</th><th>District Heating</th></tr>
<tr><td>France</td><td rowspan="4">CO Emissions from Fuel Combustion 2018, International Energy Agency</td><td rowspan="3">JRC Technical Reports. Covenant of Mayors for Climate and Energy: Default emission factors for local emission inventories (2017).</td><td>No landlord procured district heating supplied.</td></tr>
<tr><td>Germany</td><td>Federal Ministry of the Environment report 'A Study of Specific Greenhouse Gas Emissions Factors for District Heating'</td></tr>
<tr><td>Netherlands</td><td>No landlord procured district heating supplied.</td></tr>
<tr><td>Spain</td><td>No landlord procured gas supplied.</td><td>No landlord procured district heating supplied</td></tr>
</table>

- GHG emissions from electricity (Scope 2) are reported according to the 'location-based' approach.
- Historic emissions data has been restated where more complete and or accurate records have become available.

Directors' attendance at meetings

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

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

In addition to its regular quarterly meetings, the Board met on various ad hoc occasions as necessary during the year ended 30 September 2019.

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

Relations with shareholders

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

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

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

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

Committees

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

The Committees of the Board have defined Terms of Reference which are available on the Company's webpages. Membership of the Committees is set out on pages 30 and 31.

Nomination and Remuneration Committee

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

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

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

To discharge its duties, the Committee met once during the year to consider its terms of reference, the overall composition of the Board, including Board balance, skills and diversity, and the fees paid to Directors. At that time, the Committee agreed that at least one female Director should be appointed to the Board by 31 December 2020.

Management Engagement Committee

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

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

Audit and Valuation Committee

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

By order of the Board

Schroder Investment Management Limited
Company secretary

6 December 2019

Report of the Audit and Valuation Committee

The responsibilities and work carried out by the Audit and Valuation Committee during the year under review are set out in the following report. The duties and responsibilities of the Committee may be found in the terms of reference. Membership of the Committee is as set out on pages 30 and 31. The Board has satisfied itself that at least one of the Committee's members has recent and relevant financial experience.

The Committee met four times during the year ended 30 September 2019. 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 the need for an internal audit function;
- Reviewing the independence of the Auditors;
- Evaluating the Auditors' performance; and
- Reviewing the principal risks faced by the Company and the system of internal control.

Annual report and financial statements

During its review of the Company's financial statements for the year ended 30 September 2019, the Audit and Valuation Committee considered the following significant issues, including principal risks and uncertainties in light of the Company's activities, and issues communicated by the Auditors during its reporting:

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

As a result of the work performed, the Committee has concluded that the Annual Report for the year ended 30 September 2019, 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 38.

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

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

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

Independent auditors

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

Provision of information to the auditors

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

Provision of non-audit services

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

The Company paid €50,000 (2018: €37,000) during the year for the interim review, an assurance related non-audit service, approximately 16% of fees paid to the Company's Auditors for the audit.

Internal audit

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

Jonathan Thompson
Audit and Valuation Committee Chairman

6 December 2019

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, the Strategic Report, the Report of the Directors, the Corporate Governance Statement, the Remuneration 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 Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS regulation.

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 on pages 30 and 31, confirm that to the best of their knowledge:

- the Group and Company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group 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; and

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

6 December 2019

Directors' Remuneration Report

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

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

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

At the AGM held on 25 March 2019, 100% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the Report on Remuneration for the period ended 30 September 2018 were in favour. No votes were against. 237,310 votes were withheld.

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. 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.

Changes from last approved remuneration policy

The policy has been amended to reflect the Company has one part-time employee, who was employed during the year under review. There have been no other changes to the last approved remuneration policy.

Directors' Remuneration Report continued

Directors' annual report on remuneration

This Report sets out how the Directors' remuneration policy was implemented during the year ended 30 September 2019.

Fees paid to Directors

During the year ended 30 September 2019, the Chairman was paid a fee of £40,000 and the other members of the Board were each paid a fee of £35,000.

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 2019 and the previous financial year. The euro equivalent of the Director's fees is disclosed in note 9.

	Fees		Taxable benefits[1]		Total	
Director	**2019 £**	2018 £	**2019 £**	2018 £	**2019 £**	2018 £
Sir Julian Berney Bt.	**40,000**	35,000	**783**	37	**40,783**	35,037
Jonathan Thompson	**35,000**	30,000	**–**	–	**35,000**	30,000
Mark Patterson	**35,000**	30,000	**237**	240	**35,237**	30,240
Total	**110,000**	**95,000**	**1,020**	**277**	**111,020**	**95,277**

1 Comprises amounts reimbursed for expenses incurred in carrying out business for the Company.

The information in the above table has been audited (see the Independent Auditors' Report on pages 42 to 48).

Consideration of matters relating to Directors' remuneration

Directors' remuneration was last reviewed by the Board and the Nomination and Remuneration Committee in November 2019. 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 30 and 31. 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 Directors' fees should remain unchanged. The Directors' fees were last increased with effect from 1 October 2018.

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. In considering these figures, shareholders should take into account the Company's investment objective.

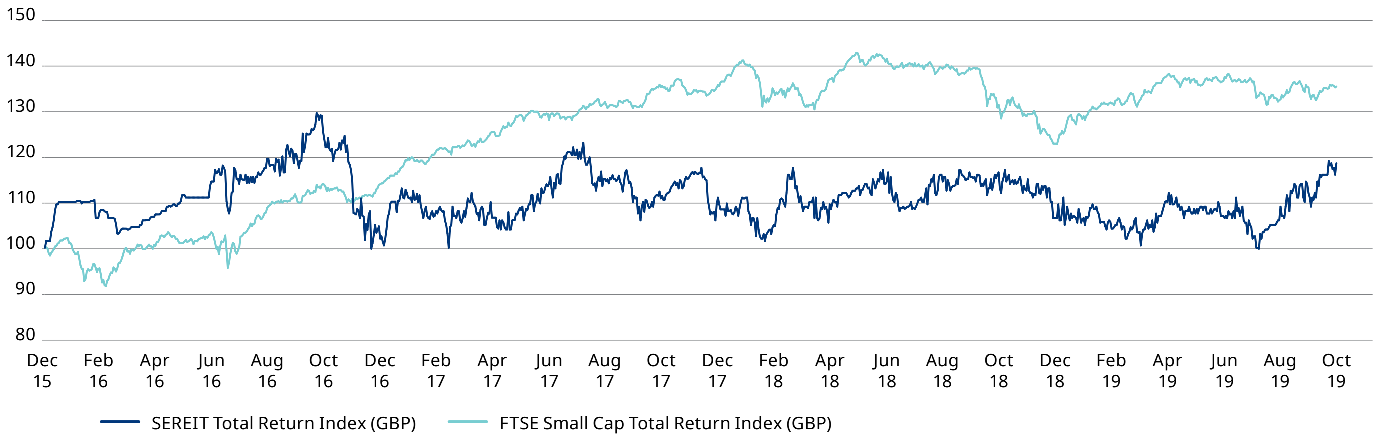
	Year ended 30 September 2019 (£'000)	Year ended 30 September 2018 (£'000)	Change (%)
Remuneration payable to Directors	**111**	96	16
Remuneration payable to employee	**2**	n/a	n/a
Dividends paid to shareholders	**6,550[1]**	8,351	-22

1 The interim dividend paid in respect of the quarter ended 30 June 2019 was paid on 21 October 2019 and, if paid during the year under review, would have brought the total dividend paid to shareholders to £8,756,000. Further information is set out in note 12.

The information in the above table has been audited.

Share price total return

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



Directors' share interests

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

Director	At 30 September 2019	At 1 October 2018
Sir Julian Berney Bt.	**10,000**	10,000
Jonathan Thompson	**10,000**	10,000
Mark Patterson	**10,000**	10,000

The information in the above table has been audited.

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

Sir Julian Berney Bt.
Chairman

6 December 2019

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 2019 and of the Group's and the Company's profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company Statements of Financial Position as at 30 September 2019; 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 Committee.

Basis for opinion

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

Independence

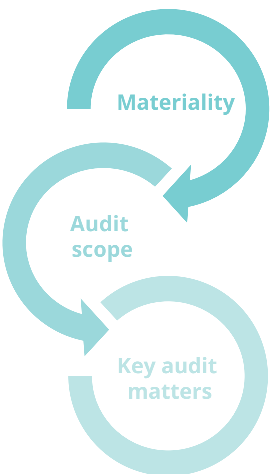
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities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

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

Other than those disclosed in note 7 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 1 October 2018 to 30 September 2019.

Our audit approach

Overview



Materiality

- Overall Group materiality: €2.5 million (2018: €2.4 million), based on 1% of total assets.
- Overall Company materiality: €1.7 million (2018: €1.7 million), based on 1% of total assets.
- Specific Group materiality: €0.6 million (2018 €0.9 million), based on 5% of pre-tax profit.

Audit Scope

- The Group audit team carried out the audit of the consolidated financial statements of Schroder European Real Estate Investment Trust plc and has the overall responsibility over the audit of the Group.
- For the subsidiaries of the Group, we worked with component auditors in Luxembourg, who performed the audit of the Luxembourg holding company, German property holding companies, Dutch property holding companies and Spanish joint venture, and PwC France, who performed the audit of the French holding company and property holding companies.
- Taken together, the entities in the scope of audit work accounted for 99% of the Group's profit and assets.

Key audit matters

- Valuation of investment properties due to significance and subjectivity.
- Breach of debt covenant in the year, and potential impact on going concern.

The scope of our audit
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Capability of the audit in detecting irregularities, including fraud
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 the Group's Investment Trust status, and we considered the extent to which non-compliance might have a material effect on the financial statements of the Group and Company. We also considered those laws and regulations that have a direct impact on the financial statements of the Group and Company such as the Companies Act 2006, UK tax legislation and equivalent local laws and regulations applicable to significant components, 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 preparation of 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 the posting of inappropriate journal entries in order to increase revenue or misappropriate cash, and management bias in accounting estimates and judgemental areas of the financial statements such as 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 regulation and fraud.
- Reviewing of the financial statement disclosures to underlying supporting documentation.
- Reviewing independent confirmation from legal advisors.
- Reviewing the work of significant component auditors.
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to valuation of investment properties.
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations and unusual words and, incorporating an element of unpredictability.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. 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.

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.

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
Valuation of investment properties due to significance and subjectivity Refer to pages 36 and 37 (Report of the Audit and Valuation Committee), pages 61 to 63 (Notes to the financial statements – Note 13) and page 54 (Significant accounting policies). The Group's investment properties were carried at €218.9 million as at 30 September 2019 and a fair value gain of €3.5 million was accounted for under 'Net gain from fair value adjustment on investment property' in the consolidated statement of comprehensive income. The portfolio includes retail, industrial and office properties, located in Germany, the Netherlands and France. There is also an investment property in Spain held through the Group's investment in joint venture. The properties only include completed investments and the methodology applied in determining the valuations is set out in note 13 to the financial statements. Valuations are performed by a third party valuation firm, Knight Frank LLP (the "Valuers"). The Valuers used by the Group have considerable experience of the markets in which the Group operates. The valuation of the Group's portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rentals. This is coupled with the fact that only a small percentage difference in individual property valuations when aggregated could result in a material misstatement. Where available, the valuations take into account evidence of market transactions for properties and locations comparable with those of the properties held by the Group. The estimates affecting the valuations included estimated yields and estimated rental value (as described in note 13 of the financial statements).	**Assessing the competence, capabilities and objectivity of the valuers** The valuation firm used by the Group is Knight Frank LLP. They are a well-known firm with considerable experience of the Group's market. We assessed the competence and capabilities of Knight Frank and checked their qualifications. Based on this work, we are satisfied that the firm remains competent and that the scope of their work was appropriate. **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 movement, determined by reference to published benchmarks and using our experience and knowledge of the market. We then obtained and read the Knight Frank LLP valuation reports which covers each property. We determined, based on our expertise and experience, that the valuation approach for each was in accordance with the Royal Institute of Chartered Surveyors (RICS) Valuation – Professional Standards guidance and applied to the financial statements in accordance with IAS 40. We compared the investment yields used by the Valuers to the expected range of yields and the year on year capital movement to our expected range. We also considered the reasonableness of other assumptions that are not so readily comparable with published benchmarks, such as Estimated Rental Value. We attended meetings with the Valuers, at which the valuations and the key assumptions therein were discussed. Our work covered the valuation of each property. The discussions were focused on where the assumptions used and year on year capital value movement suggested a possible outlier versus externally published market data. 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 in the context of the Group's property portfolio and reflected the circumstances of the market at the year end. **Information and standing data** We tested the data in the investment property valuation, including rental income, lease terms and purchase price, by agreeing them to the underlying records held by the Group. The underlying property records were themselves tested back to signed and approved lease contracts or sale/purchase contracts and approved third party invoices on a sample basis as applicable. No issues were identified in this testing. **Overall outcome** Based on the work, we identified no material misstatements in the valuations.

Key audit matter	*How our audit addressed the key audit matter*
Breach of debt covenant in the year, and potential impact on going concern Refer to page 65 (Notes to the Financial Statements – Note 15) and page 67 (Notes to the Financial Statements – Note 20). As at 30 September 2019, there has been one debt covenant breach and there is one debt covenant waiver in place. These are as follows: – A reduction in rental income has resulted in a net rental income covenant breach on the loan from Münchener Hypothekenbank eG within the Spanish joint venture entity, Metromar Retail SLU. – At 30 September 2019, there was a debt covenant waiver in place until 31 March 2020 in relation to the loan from Deutsche Pfandbriefbank AG within the Group's German subsidiary, SEREIT Hamburg S.à.r.l., following the tenant, City BKK vacating.	We performed the following procedures in relation to going concern, the debt covenant breach and the waiver in place: Obtained support for the debt covenant waiver within the German subsidiary, and reviewed communications with the relevant lenders. Reviewed the relevant loan agreements to understand the implications of the breach in the Spanish joint venture, the waiver in the German subsidiary and to confirm that the debt does not have recourse to the Group. Obtained management's going concern assessment and underlying supporting cashflow projections. We assessed and challenged the reasonableness of key assumptions in management's cashflow projections by agreeing back to underlying supporting documents and evidence of Board approval. Inquired of management as to its knowledge of events or conditions beyond the period of assessment which may cast significant doubt on the Group's ability to continue as a going concern. Assessed the headroom as at 30 September 2019 for each covenant for each loan agreement, and reviewed projections performed. Discussed the impact on the going concern assessment for covenants which were deemed to have a higher likelihood of being breached. Based on the above procedures, we do not consider any material uncertainties exist in relation to the Group's ability to continue as a going concern.

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

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

The Group has 12 properties held in 10 property holding companies in the Netherlands, Germany, France and an investment in a joint venture in Spain. All entities are fully consolidated into the Group financial statements with the joint venture accounted for under the equity method in accordance with IAS 28 and IFRS 11. All 10 property holding companies and the investment in joint venture have been included in scope for the audit of the Group financial statements.

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

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

Throughout the audit process, the Group audit team has had continuous interactions with the component audit teams to oversee the audit process and, has also performed a review of the component teams' working paper via site visits to France and Luxembourg.
The audit of the Company Financial Statements was performed entirely by the Group audit team in the UK.

Independent Auditors' Report to the members of Schroder European Real Estate Investment Trust plc continued

Materiality

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

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

	Group financial statements	*Company financial statements*
Overall materiality ***Specific materiality***	€2.5 million (2018: €2.4 million). €0.6 million (2018: €0.9 million).	€1.7 million (2018: €1.7 million). n/a
How we determined it	1% of total assets. 5% of pre-tax profit	1% of total assets. n/a
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, significant key performance indicators of the Group, such as dividend yield, are driven by statement of comprehensive income items and we therefore also applied a lower specific materiality for testing income statement balances except for the net valuation gain on investment property and derivatives, which is 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 €135,000 and €2,100,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €127,000 (Group audit) (2018: €120,000) and €85,000 (Company audit) (2018: €83,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

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

Reporting obligation	*Outcome*
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

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

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

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

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

Strategic report and 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 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. *(CA06)*

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

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

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

- The directors' confirmation on page 27 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 29 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

Other code provisions

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

- The statement given by the directors, on page 38, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on page 36 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' remuneration

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

Independent Auditors' Report to the members of Schroder European Real Estate Investment Trust plc continued

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 38, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:
- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the directors on 29 October 2015 to audit the financial statements for the year ended 30 September 2016 and subsequent financial periods. The period of total uninterrupted engagement is 4 years, covering the years ended 30 September 2016 to 30 September 2019.

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

6 December 2019

Consolidated and Company Statements of Comprehensive Income

For the year ended 30 September 2019

	Note	**Group year to 30/09/19 €'000**	Group year to 30/09/18 €'000	**Company year to 30/09/19 €'000**	Company year to 30/09/18 €'000
Rental and service charge income	3	**18,667**	19,900	**–**	–
Other income	4	**1,500**	2,400	**–**	–
Property operating expenses	5	**(4,807)**	(6,458)	**–**	–
Net rental and related income		**15,360**	15,842	**–**	–
Loss on disposal	14	**–**	(29)	**–**	–
Net gain from fair value adjustment on investment property	13	**3,530**	4,939	**–**	–
Realised gain on foreign exchange	24	**6**	1	**6**	1
Net change in fair value of financial instruments at fair value through profit or loss	17	**(304)**	(155)	**–**	–
Management fees receivable	6	**–**	–	**1,429**	1,306
Dividends received	15,8	**93**	150	**13,151**	9,100
Expenses					
Investment management fee	6	**(1,904)**	(1,958)	**(1,904)**	(1,958)
Valuers' and other professional fees		**(953)**	(687)	**(448)**	(288)
Administrator's and accounting fees		**(342)**	(330)	**(156)**	(163)
Auditors' remuneration	7	**(356)**	(269)	**(318)**	(232)
Directors' fees	9	**(142)**	(115)	**(142)**	(115)
Other expenses	9	**(183)**	(206)	**(141)**	(120)
Total expenses		**(3,880)**	(3,565)	**(3,109)**	(2,876)
Operating profit		**14,805**	17,183	**11,477**	7,531
Finance income		**452**	456	**148**	15
Finance costs		**(906)**	(962)	**–**	–
Net finance (costs)/income		**(454)**	(506)	**148**	15
Share of (loss)/profit from joint venture	15	**(3,369)**	407	**–**	–
Profit before taxation		**10,982**	17,084	**11,625**	7,546
Taxation	10	**(3,527)**	(1,517)	**(743)**	–
Profit for the year		**7,455**	15,567	**10,882**	7,546
Attributable to:					
Owners of the parent		**7,455**	13,175	**10,882**	7,546
Non-controlling interests		**–**	2,392	**–**	–
		7,455	15,567	**10,882**	7,546
Basic and diluted earnings per share attributable to owners of the parent	11	**5.6c**	9.9c	**–**	–
Profit for the year		**7,455**	15,567	**10,882**	7,546
Other comprehensive loss:					
Other comprehensive loss items that may be reclassified to profit or loss:					
Currency translation differences	24	**(15)**	(4)	**(15)**	(4)
Total other comprehensive loss		**(15)**	(4)	**(15)**	(4)
Total comprehensive income for the year		**7,440**	15,563	**10,867**	7,542
Attributable to:					
Owners of the parent		**7,440**	13,171	**10,867**	7,542
Non-controlling interests		**–**	2,392	**–**	–
		7,440	15,563	**10,867**	7,542

All items in the above statement are derived from continuing operations. The accompanying notes 1 to 29 form an integral part of the financial statements.

Consolidated and Company Statements of Financial Position

As at 30 September 2019

	Note	Group 30/09/19 €'000	Group 30/09/18 €'000	Company 30/09/19 €'000	Company 30/09/18 €'000
Assets					
Non-current assets					
Investment property	13	**218,896**	195,644	**–**	–
Investment in subsidiaries	14	**–**	–	**128,180**	125,998
Investment in joint venture	15	**2,378**	6,697	**–**	–
Loans to joint ventures	15	**10,035**	10,035	**–**	–
Non-current assets		**231,309**	212,376	**128,180**	125,998
Current assets					
Trade and other receivables	16	**6,341**	12,537	**37,695**	35,506
Interest rate derivative contracts	17	**17**	188	**–**	–
Cash and cash equivalents	18	**16,053**	15,738	**4,035**	4,792
Current assets		**22,411**	28,463	**41,730**	40,298
Total assets		**253,720**	240,839	**169,910**	166,296
Equity					
Share capital	19	**15,080**	15,015	**15,080**	15,015
Share premium		**30,043**	29,912	**30,043**	29,912
Retained earnings/(accumulated losses)		**4,430**	4,397	**(8,863)**	(12,323)
Other reserves		**132,534**	132,745	**132,767**	132,978
Total equity		**182,087**	182,069	**169,027**	165,582
Liabilities					
Non-current liabilities					
Interest-bearing loans and borrowings	20	**60,692**	52,150	**–**	–
Deferred tax liability	10	**1,521**	912	**–**	–
Non-current liabilities		**62,213**	53,062	**–**	–
Current liabilities					
Trade and other payables	21	**8,967**	5,081	**883**	714
Current tax liabilities	10	**453**	627	**–**	–
Current liabilities		**9,420**	5,708	**883**	714
Total liabilities		**71,633**	58,770	**883**	714
Total equity and liabilities		**253,720**	240,839	**169,910**	166,296
Net asset value per ordinary share	22	**136.2c**	136.2c	**126.4c**	123.8c

The financial statements on pages 49 to 72 were approved at a meeting of the Board of Directors held on 06 December 2019 and signed on its behalf by:

Sir Julian Berney Bt.
Chairman

The accompanying notes 1 to 29 form an integral part of the financial statements.

Consolidated and Company Statements of Changes in Equity

For the year ended 30 September 2019

Group	Note	Share capital €'000	Share premium €'000	Retained earnings €'000	Other reserves €'000	Sub-total €'000	Non-controlling interests €'000	Total equity €'000
Balance as at 1 October 2017		**15,167**	**30,215**	**650**	**132,294**	**178,326**	**7,691**	**186,017**
Profit for the year		–	–	13,175	–	13,175	2,392	15,567
Other comprehensive loss for the year		–	–	–	(4)	(4)	–	(4)
Dividends paid	12	–	–	(9,428)	–	(9,428)	–	(9,428)
Share premium distribution		–	–	–	–	–	(1,510)	(1,510)
Divestment of non-controlling interests	14	–	–	–	–	–	(8,573)	(8,573)
Unrealised foreign exchange		(152)	(303)	–	455	–	–	–
Balance as at 30 September 2018		**15,015**	**29,912**	**4,397**	**132,745**	**182,069**	**–**	**182,069**
Profit for the year		**–**	**–**	**7,455**	**–**	**7,455**	**–**	**7,455**
Other comprehensive loss for the year		**–**	**–**	**–**	**(15)**	**(15)**	**–**	**(15)**
Dividends paid	12	**–**	**–**	**(7,422)**	**–**	**(7,422)**	**–**	**(7,422)**
Unrealised foreign exchange		**65**	**131**	**–**	**(196)**	**–**	**–**	**–**
Balance as at 30 September 2019		**15,080**	**30,043**	**4,430**	**132,534**	**182,087**	**–**	**182,087**

Company	Note	Share capital €'000	Share premium €'000	Accumulated losses[1] €'000	Other reserves[1] €'000	Sub-total €'000	Non-controlling interests €'000	Total equity €'000
Balance as at 1 October 2017		**15,167**	**30,216**	**(10,437)**	**132,522**	**167,468**	**–**	**167,468**
Profit for the year		–	–	7,546	–	7,546	–	7,546
Other comprehensive loss for the year		–	–	(4)	–	(4)	–	(4)
Dividends paid	12	–	–	(9,428)	–	(9,428)	–	(9,428)
Unrealised foreign exchange		(152)	(304)	–	456	–	–	–
Balance as at 30 September 2018		**15,015**	**29,912**	**(12,323)**	**132,978**	**165,582**	**–**	**165,582**
Profit for the year		**–**	**–**	**10,882**	**–**	**10,882**	**–**	**10,882**
Other comprehensive loss for the year		**–**	**–**	**–**	**(15)**	**(15)**	**–**	**(15)**
Dividends paid	12	**–**	**–**	**(7,422)**	**–**	**(7,422)**	**–**	**(7,422)**
Unrealised foreign exchange		**65**	**131**	**–**	**(196)**	**–**	**–**	**–**
Balance as at 30 September 2019		**15,080**	**30,043**	**(8,863)**	**132,767**	**169,027**	**–**	**169,027**

1 These reserves form the distributable reserves of the Company 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 29 form an integral part of the financial statements.

Consolidated and Company Statements of Cash Flows

For the year ended 30 September 2019

	Note	Group 30/09/19 €'000	Group 30/09/18 €'000	Company 30/09/19 €'000	Company 30/09/18 €'000
Operating activities					
Profit before tax for the year		**10,982**	17,084	**11,625**	7,546
Adjustments for:					
Loss on disposal	14	**–**	29	**–**	–
Net gain from fair value adjustment on investment property	13	**(3,530)**	(4,939)	**–**	–
Share of loss/(profit) of joint venture	15	**3,369**	(407)	**–**	–
Realised foreign exchange gains	24	**(6)**	(1)	**(6)**	(1)
Finance income		**(452)**	(456)	**(148)**	(15)
Finance costs		**906**	962	**–**	–
Net change in fair value of financial instruments through profit or loss	17	**304**	155	**–**	–
Dividend income and interest classified as investing cash flows		**–**	–	**(9,521)**	–
Dividends received from joint venture	15	**(93)**	(150)	**–**	–
Operating cash generated from before changes in working capital		**11,480**	12,277	**1,950**	7,530
Decrease/(increase) in trade and other receivables		**6,308**	(3,122)	**1,078**	(818)
Increase in trade and other payables		**3,909**	2,300	**168**	328
Cash generated from operations		**21,697**	11,455	**3,196**	7,040
Finance costs paid		**(1,027)**	(1,255)	**–**	–
Finance income received		**452**	456	**8**	15
Tax paid		**(3,092)**	(384)	**(743)**	–
Net cash generated from operating activities		**18,030**	10,272	**2,461**	7,055
Investing activities					
Acquisition of investment property		**(18,281)**	(51,744)	**–**	–
Additions to investment property	13	**(1,513)**	(248)	**–**	–
Investment in subsidiaries	14	**–**	–	**9,713**	(7,415)
Proceeds from disposal	14	**–**	19,740	**–**	–
Loans to subsidiary companies		**–**	–	**(5,500)**	–
Loan repayment from subsidiary company	14	**–**	7,215	**–**	–
Investment in joint venture		**950**	–	**–**	–
Dividends received from joint venture	15	**93**	150	**–**	–
Net cash used in investing activities		**(18,751)**	(24,887)	**4,213**	(7,415)
Financing activities					
Proceeds from borrowings	20	**8,600**	13,000	**–**	–
Interest rate cap purchased	17	**(133)**	(227)	**–**	–
Dividends paid	12	**(7,422)**	(9,428)	**(7,422)**	(9,428)
Share premium distribution	14	**–**	(1,510)	**–**	–
Net cash generated from/(used in) financing activities		**1,045**	1,835	**(7,422)**	(9,428)
Net increase/(decrease) in cash and cash equivalents for the year		**324**	(12,780)	**(748)**	(9,788)
Opening cash and cash equivalents		**15,738**	28,521	**4,792**	14,583
Effects of exchange rate change on cash		**(9)**	(3)	**(9)**	(3)
Closing cash and cash equivalents	18	**16,053**	15,738	**4,035**	4,792

The accompanying notes 1 to 29 form an integral part of the financial statements.

Notes to the Financial Statements

1. Significant accounting policies

Schroder European Real Estate Investment Trust plc (the 'Company') is a closed-ended investment company incorporated in England and Wales. The consolidated financial statements of the Company for the year ended 30 September 2019 comprise those of the Company and its subsidiaries (together referred to as the 'Group'). The Group holds a portfolio of investment properties in Continental Europe. The shares of the Company are listed on the London Stock Exchange (primary listing) and the Johannesburg Stock Exchange (secondary listing). The registered office of the Company is 1 London Wall Place, London, England EC2Y 5AU.

Statement of compliance

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

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

Basis of preparation

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

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

Going concern

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

Use of estimates and judgements

The preparation of financial statements in conformity with IFRS, as adopted by the EU, 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 external professional valuers to determine the relevant amounts.

A key area of judgement is accounting for transactions. These include judgements on whether the criteria for held for sale have been met for transactions not yet completed; and accounting for transaction costs and contingent consideration. Management use the most appropriate accounting treatment for each transaction and seek independent advice where necessary.

Another key area of judgement is taxation where recognition and measurement of liabilities relating to tax positions are uncertain.

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.

Non-controlling interests

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

Notes to the Financial Statements continued

1. Significant accounting policies continued

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

After initial recognition, investment properties are measured at fair value with unrealised gains and losses recognised in profit or loss. Realised gains and losses on the disposal of properties are recognised in profit and loss in relation to 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 25, 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.

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, 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.

1. Significant accounting policies continued

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

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.

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

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

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

Impairment

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the 'cash-generating unit').

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the profit and loss.

Revenue

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

Surrender premium income
Surrender premium income is recognised as revenue upon receipt.

Notes to the Financial Statements continued

1. Significant accounting policies continued

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.

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.

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

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 2018, have not had a material impact on the Group or Company.

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 October 2018:

IFRS 9 – Financial instruments

IAS 39 is replaced with IFRS 9, resulting in changes in the recognition, measurement and classification of all financial assets excluding derivatives. An expected credit loss model is introduced by IFRS 9, requiring expected credit losses to be recognised on all financial assets held at amortised cost.

IFRS 9 adoption has not had an impact on the financial statements.

Classification and measurement

The Group reviewed its financial assets and assessed that the expected credit risk model should apply to the loan to the joint venture, cash and cash equivalents, and trade receivables. IFRS 9 does not apply to any other assets held by the Group.

The model requires impairment allowances for all exposures from the time a loan is originated, based on the deterioration of credit risk since initial recognition. If the credit risk has not increased significantly (Stage 1), IFRS 9 requires allowances based on twelve month expected losses. If the credit risk has increased significantly (Stage 2) and if the loan is 'credit impaired' (Stage 3), the standard requires allowances based on lifetime expected losses. The assessment of whether a loan has experienced a significant increase in credit risk varies by product and risk segment. It requires use of quantitative criteria and experienced credit risk judgement.

Derivatives and hedging activity

Hedge accounting is not applied to the interest rate caps held as financial assets and are periodically revalued at fair value through profit or loss. IFRS 9 does not change how interest rate caps held by the Group are measured and therefore has no material impact on the financial statements.

Impairment of financial assets

The Group's trade receivables are largely comprised of tenant receivables. For reasons set out in the Group's Credit Risk management in note 23, the credit risk was deemed to be immaterial.

As disclosed in note 15, the Group has a loan receivable from the joint venture and on application of IFRS 9's credit risk model does not result in recognition of a material loss allowance.

There is no material quantitative impact for the period ended 30 September 2019 upon application of this new accounting policy for assessing asset impairment. The Group will continue to assess financial assets periodically using the credit loss model and recognise an expected credit loss if required.

IFRS 15 – Revenue from contracts with customers

The new standard sets out a five-step model for the recognition of revenue and establishes principles for reporting useful information to users of financial statements about the nature, timing and uncertainty of revenues and cash flows arising from an entity's contracts with customers. The new standard does not apply to rental income which makes up 79% of the Group's income and is in the scope of IAS 17, but does apply to service charge income, management and performance fees and trading property disposals. Adoption of IFRS 15 has not had a quantitative impact upon the Group's financial statements. It has resulted in some minor qualitative disclosure in relation to some revenue items, as detailed in note 3, the service charge income has been separated from rental income.

The Company does receive management fee income in the form of recharges to subsidiaries. However there is no performance element to the management fee calculation, hence there is no change to the accounting for this income stream.

New standards and interpretations not yet adopted by the Group

IFRS 16 – Leases

The new standard requires recognition on the balance sheet for the head rent payable by a lessee over the lease term. For lessees, it will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases will be removed. The accounting for lessors will not significantly change. These changes are not expected to have any impact on the consolidated financial statements of the Group as it does not hold any leasehold properties and it is not a lessee of any other assets that would be in scope for IFRS 16.

IFRS 16 was effective from 1 January 2019 but has not been early adopted by the Group.

IFRS 3 – Business combinations

Amendments to IFRS 3 Business Combinations (subject to EU endorsement) and effective for financial years commencing on or after 1 January 2020 provides a revised framework for evaluating a business and introduces an optional 'concentration test'. The amendment will impact the assessment and judgements used in determining whether future property transactions represent an asset acquisition or business combination. As a result of the amendment it is expected that future transactions are more likely to be treated as an asset acquisition.

Notes to the Financial Statements continued

3. Rental and service charge income

	Group 30/09/2019 €'000	Group 30/09/2018 €'000	**Company 30/09/2019 €'000**	Company 30/09/2018 €'000
Rental income	**14,691**	13,708	**–**	–
Service charge income	**3,976**	6,192	**–**	–
	18,667	19,900	**–**	–

4. Other income
Other income relates to a lease surrender premium agreement pursuant to the Group's Hamburg office asset in Germany. €1.5 million was received during the year ended 30 September 2019 and €2.4 million was received during the year ended 30 September 2018.

5. Property operating expenses

	Group 30/09/2019 €'000	Group 30/09/2018 €'000	**Company 30/09/2019 €'000**	Company 30/09/2018 €'000
Repairs and maintenance	**2,119**	1,756	**–**	–
Service charge, insurance and utilities on vacant units	**498**	2,716	**–**	–
Real estate taxes	**1,589**	1,587	**–**	–
Property management fees	**227**	206	**–**	–
Other	**374**	193	**–**	–
	4,807	6,458	**–**	–

All the above amounts relate to service charge expenses which are all recoverable except for €831,000 (2018: €266,000).

6. Material agreements
Schroder Real Estate Investment Management Limited ('SREIM') is the Investment Manager to the Company. The Investment Manager is entitled to a fee together with reasonable expenses incurred in the performance of its duties. The fee is payable monthly in arrears and shall be an amount equal to one twelfth of the aggregate of 1.1% of the EPRA NAV of the Group. The Investment Management Agreement can be terminated by either party on not less than twelve months' written notice, such notice not to expire earlier than the third anniversary of Admission, or on immediate notice in the event of certain breaches of its terms or the insolvency of either party. The total charge to profit and loss during the year was €1,904,000 (2018: €1,958,000). At the year end €140,000 (2018: €318,000) was outstanding.

SREIM provides accounting services to the Group with a minimum contracted annual charge of €79,000 (£70,000). The total charge to the Group was €99,000 (2018: €106,000). At the year end €8,000 (2018: €17,000) was outstanding.

SREIM provides administrative and company secretarial services to the Group with a contracted annual charge of €56,000 (£50,000). The total charge to the Group was €57,000 (2018: €57,000). At the year end €5,000 (2018: €9,000) 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 15.

6. Material agreements continued

The Company received management fees of €1,429,000 (2018: €1,306,000) from subsidiary companies during the year. The amounts recharged to subsidiaries and outstanding are provided in the table below.

	Fees recharged in the year to 30 September €'000		Fees outstanding as at 30 September €'000	
Subsidiary	**2019**	2018	**2019**	2018
SCI SEREIT Rumilly	**59**	16	**14**	16
SCI 221 Jean Jaures	**281**	326	**69**	388
SEREIT Berlin DIY Sàrl	**181**	202	**45**	240
SEREIT Hamburg Sàrl	**111**	127	**55**	151
SEREIT Stuttgart Sàrl	**112**	121	**28**	144
SEREIT Frankfurt Sàrl	**78**	89	**19**	106
SCI SEREIT Directoire	**245**	272	**63**	322
SEREIT Apeldoorn Sàrl	**135**	115	**33**	115
SEREIT UV Sàrl	**139**	38	**35**	38
SCI SEREIT Pleudihen	**88**	–	**88**	–
Total	**1,429**	1,306	**449**	1,520

7. Auditors' remuneration

The Group's total audit fees for the year are €356,000 (2018: €269,000) which include the Group's audit and the individual SPV audits fees. The Company's total audit fees for the year were €318,000 (2018: €232,000) which only covers the Group audit fee.

The auditor did not perform any non-audit services for the Group during the year (2018: €6,000). The interim review fee was €50,000 (2018: €37,000) which is an assurance related non-audit service.

8. Dividends received

During the year the Group received dividends of €93,000 (2018: €150,000) from its joint venture operation Urban SEREIT Holdings Spain S.L. (see note 15).

During the year the Company received dividends from its subsidiary undertakings. €2,680,000 (2018: €7,600,000) was received from SEREIT (Jersey) Limited and €10,471,000 (2018: €1,500,000) was received from SEREIT Holdings Sàrl. €9,521,000 of the dividend from SEREIT Holdings Sàrl was received as a contribution of shares in OPPCI SEREIT France and €950,000 was received as a cash distribution.

9. Other expenses

	Group 30/09/2019 €'000	Group 30/09/2018 €'000	**Company 30/09/2019 €'000**	Company 30/09/2018 €'000
Directors' and officers' insurance premium	**10**	9	**10**	9
Bank charges	**61**	37	**7**	8
Regulatory costs	**53**	32	**43**	42
Marketing	**58**	48	**58**	48
Other expenses	**1**	80	**23**	13
	183	206	**141**	120

Directors' fees

Directors are the only officers of the Company and there are no other key personnel. The Directors' annual remuneration for services to the Group was €124,742 (2018: €105,325), as set out in the Remuneration Report on pages 39 to 41. The total charge for directors' fees was €142,000 (2018: €115,000), which included employer's National Insurance contributions.

Notes to the Financial Statements continued

10. Taxation

	30/09/2019 €'000	30/09/2018 €'000
Current tax charge	**2,918**	1,078
Deferred tax charge	**609**	439
Tax expense in year	**3,527**	1,517
Reconciliation of effective tax rate		
Profit before taxation	**10,982**	17,084
Effect of:		
Tax charge at weighted average corporation tax rate of 16.19% (2018: 23.49%)	**1,778**	4,013
Tax exempt income	**(1,431)**	(3,912)
Tax adjustment on net revaluation loss	**100**	119
Capital gains tax	**1,254**	–
Real estate transfer tax	**743**	–
Current year loss for which no deferred tax is recognised	**290**	403
Tax adjustment of share of joint venture (profit)/loss	**819**	(139)
Minimum Luxembourg tax charges	**60**	152
Withholding tax	**(10)**	618
Tax effect of property depreciation	**52**	100
Other permanent differences	**(128)**	163
Total tax expense in the year	**3,527**	1,517

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 €290,000 (2018: €403,000) arose on tax losses which has not been provided for.

The current tax charge includes €1,997,000 of French taxes paid during the year in respect of a Group restructuring. The Group continues to proactively monitor the appropriateness of its structure and adapt where necessary.

In April 2019 the European Commission ('EC') issued a ruling that a UK group financing exemption within the UK Controlled Foreign Company rules was partially incompatible with European Union State Aid rules, to the extent that profits derive from activities performed within the UK. The Group benefits from this exemption in respect of SEREIT (Jersey) Limited which provides financing to other group companies. The Group has undertaken a review with its advisors and does not consider that a provision is currently required as a consequence of the ruling.

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.

	30/09/2019	30/09/2018
Net profit attributable to shareholders	**€7,455,000**	€13,175,000
Weighted average number of ordinary shares in issue	**133,734,686**	133,734,686
Basic earnings per share (cents per share)	**5.6**	9.9

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 2018 and 2019.

Headline earnings per share

The headline earnings and diluted headline earnings for the Group is 7.9 euro cents per share (2018: 8.1 euro cents per share) as detailed on page 75.

12. Dividends paid

Interim dividends of €7,422,000 (2018: €9,428,000) were paid to shareholders during the year as follows:

In respect of	**Ordinary Shares**	**Rate (cents)**	**30/09/2019 €'000**
Interim dividend paid on 25 January 2019	**133,734,686**	**1.85**	**2,474**
Interim dividend paid on 12 April 2019	**133,734,686**	**1.85**	**2,474**
Interim dividend paid on 22 July 2019	**133,734,686**	**1.85**	**2,474**
Total interim dividends paid			**7,422**

In respect of	Ordinary shares	Rate (cents)	30/09/2018 €'000
Interim dividend paid on 19 January 2018	133,734,686	1.50	2,006
Interim dividend paid on 13 April 2018	133,734,686	1.85	2,474
Interim dividend paid on 20 July 2018	133,734,686	1.85	2,474
Interim dividend paid on 14 September 2018	133,734,686	1.85	2,474
Total interim dividends paid			9,428

The interim dividend for the quarter ended 30 June 2019 was paid on 21 October 2019. This was 1.85 euro cents per share and a total dividend payment of €2,474,000 was made and would have brought the total dividend paid for the year to €9,896,000 (2018: €9,428,000).

13. Investment property

Group	Freehold €'000
Fair value as at 1 October 2017	**202,563**
Property acquisitions	48,169
Acquisition costs	3,973
Net gain from fair value adjustment on investment property	4,939
Disposals	(64,000)
Fair value as at 30 September 2018	**195,644**
Property acquisitions	17,250
Acquisition costs	959
Additions	1,513
Net gain from fair value adjustment on investment property	3,530
Fair value as at 30 September 2019	**218,896**

Notes to the Financial Statements continued

13. Investment property continued

There were no leasehold properties held during the year (2018: Nil). The value of the respective sectors held were as follows:

Sector	2019 €'000	2018 €'000
Industrial	47,450	28,600
Retail (including retail warehousing)	38,350	37,650
Offices	133,096	129,394
Total	**218,896**	195,644

The fair value of investment properties as determined by the valuer totals €219,200,000 (2018: €195,950,000). The fair value of investment properties disclosed above includes a tenant incentive adjustment of €304,000 (2018: €306,000).

The net valuation gain on investment property of €3,530,000 (2018: €4,939,000) consists of net property revaluation gains of €3,528,000 (2018: €5,108,000) and a movement of the above mentioned tenant incentive adjustment of €2,000 (2018: €169,000).

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 2017, incorporating the International Valuations Standards, and RICS Professional Standards UK January 2014 (revised April 2015).

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.

The fee payable to Knight Frank 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

2019		Industrial	Retail (incl. retail warehouse)	Office	Total
Fair value (€'000)[3]		47,450	85,350	133,400	266,200
Area ('000 sq.m)		68.806	44.365	60.433	173.604
Net passing rent € per sq.m per annum	Range	39.78–99.84	94.73–141.07	61.78–355.86	39.78–355.86
	Weighted average[2]	48.70	105.55	193.91	139.70
Gross ERV € per sq.m per annum	Range	38.00–89.40	101.58–184.47	79.76–419.91	38.00–419.91
	Weighted average[2]	48.46	154.78	241.33	179.20
Net initial yield[1] (%)	Range	5.64–7.45	4.70–5.38	2.13–11.52	2.13–11.52
	Weighted average[2]	6.28	4.96	5.92	5.68
Equivalent yield (%)	Range	5.50–7.00	5.10–6.48	4.10–10.44	4.10–10.44
	Weighted average[2]	6.11	6.02	6.04	6.05

1 Yields based on rents receivable after deduction of head rents and non-recoverables.
2 Weighted by market value.
3 This table includes the joint venture investment property valued at €47.0 million which is disclosed within the summarised information within note 15 as part of total assets.

13. Investment property continued

2018		Industrial	Retail (including retail warehouse)	Office	Total
Fair value (€'000)[3]		28,600	89,650	129,700	247,950
Area ('000 sq.m)		43.666	44.336	60.423	148.425
Net passing rent € per sq.m per annum	Range Weighted average[2]	39.84–97.94 51.48	94.73–140.01 115.88	63.24–349.98 210.84	39.84–349.98 158.12
Gross ERV € per sq.m per annum	Range Weighted average[2]	38.00–89.43 51.61	101.58–189.45 159.74	76.76–419.91 239.88	38.00–419.91 189.19
Net initial yield[1] (%)	Range Weighted average[2]	6.04–7.33 6.75	4.90–5.52 5.10	2.46–11.00 6.69	2.46–11.00 6.12
Equivalent yield (%)	Range Weighted average[2]	6.01–7.00 6.62	5.10–5.95 5.78	4.43–10.10 6.15	4.43–10.10 6.07

1 Yields based on rents receivable after deduction of head rents and non-recoverables.
2 Weighted by market value.
3 This table includes the joint venture investment property valued at €52.0 million which is disclosed within the summarised information within note 15 as part of total assets.

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

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

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

Estimated movement in fair value of investment properties at 30 September 2019	**Industrial €'000**	**Retail €'000**	**Office €'000**	**Total €'000**
Increase in ERV by 5%	**1,400**	**3,400**	**6,000**	**10,800**
Decrease in ERV by 5%	**(1,400)**	**(3,400)**	**(6,100)**	**(10,900)**
Increase in net initial yield by 0.25%	**(1,750)**	**(4,750)**	**(7,100)**	**(13,600)**
Decrease in net initial yield by 0.25%	**2,200**	**2,600**	**6,000**	**10,800**

Notes to the Financial Statements continued

14. Investment in subsidiaries

Company	2019 €'000	2018 €'000
Balance as at 1 October	**125,998**	118,583
Additions	**2,182**	7,415
Balance as at 30 September	**128,180**	125,998

During the year the Company invested €4,111,000 in SEREIT Holdings France SAS (SIIC), a new French company created to hold the Company's investment in Rennes. Additional investments of €1,154,000 in SEREIT Holdings Sàrl (2018: €7,415,000), €700 in SEREIT SCI SEREIT Directoire and €10 in SCI 221 Jean-Jaures were made during the year.

As part of the restructure exercise the Company acquired €74,666,000 of shares in OPPCI SEREIT France and reduced its investment in SEREIT (Jersey) Limited by €77,750,000.

The subsidiary companies listed below are those which were part of the Group as at 30 September 2019. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group and the proportion of ownership of interests held equals the voting rights held by the Group.

Undertaking	Country of incorporation	Group ownership	Registered office address
SEREIT (Jersey) Limited	Jersey	100%	22 Grenville Street, Jersey, JE4 8PX
SEREIT Finance Sàrl	Luxembourg	100%	5, rue Höhenhof L-1736 Senningerberg
SEREIT Holdings Sàrl	Luxembourg	100%	5, rue Höhenhof L-1736 Senningerberg
OPPCI SEREIT France	France	100%	153 rue Saint Honoré, 75001 Paris
SCI SEREIT Rumilly	France	100%	8–10 rue Lamennais, 75008 Paris
SCI 221 Jean Jaures	France	100%	8–10 rue Lamennais, 75008 Paris
SEREIT Berlin DIY Sàrl	Luxembourg	100%	5, rue Höhenhof L-1736 Senningerberg
SEREIT Hamburg Sàrl	Luxembourg	100%	5, rue Höhenhof L-1736 Senningerberg
SEREIT Stuttgart Sàrl	Luxembourg	100%	5, rue Höhenhof L-1736 Senningerberg
SEREIT Frankfurt Sàrl	Luxembourg	100%	5, rue Höhenhof L-1736 Senningerberg
SCI SEREIT Directoire	France	100%	8–10 rue Lamennais, 75008 Paris
SEREIT Apeldoorn Sàrl	Luxembourg	100%	5, rue Höhenhof L-1736 Senningerberg
SEREIT UV Sàrl	Luxembourg	100%	5, rue Höhenhof L-1736 Senningerberg
SEREIT Holdings France SAS (SIIC)	France	100%	8–10 rue Lamennais, 75008 Paris
SCI SEREIT Pleudihen	France	100%	8–10 rue Lamennais, 75008 Paris

The Company set up a French permanent establishment in France during the year to hold its French investments.

On 31 July 2018 the Group disposed of its 70% holding of SCI Rennes Anglet. The net proceeds from sale were €19,974,000, including €29,000 of sale costs, resulting in a loss on disposal of €29,000. Cash held in SCI Rennes Anglet on disposal was €234,000 which was deducted from the above mentioned net sale proceeds to give proceeds on disposal of €19,740,000 as reported in the consolidated statement of cash flows. An inter-company loan of €7,215,000 was repaid to the Group on disposal.

Following this disposal the Group derecognised its previously disclosed non-controlling interest. The value of this as at 30 September 2017 was €7,691,000. Profits attributable to the non-controlling interest during the period up to disposal was €2,392,000 and a share premium distribution of €1,510,000 was received. The value of the non-controlling interest derecognised at the date of disposal was €8,573,000.

15. 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	2019 €'000	2018 €'000
Balance as at 1 October	**6,697**	6,290
Share premium repayment	**(950)**	–
Share of (loss)/profit for the year	**(3,276)**	557
Dividends	**(93)**	(150)
Balance as at 30 September	**2,378**	6,697

The carrying value equals the fair value.

Summarised joint venture financial information:	2019 €'000	2018 €'000
Total assets	**50,078**	58,444
Total liabilities	**(45,322)**	(45,050)
Net assets	**4,756**	13,394
Net asset value attributable to the Group	**2,378**	6,697
Revenues for the year	**5,359**	5,464
Total comprehensive (loss)/profit	**(6,552)**	1,114
Total comprehensive (loss)/profit attributable to the Group	**(3,276)**	557

In 2018 and 2019, within total liabilities of the joint venture, is a €23.4 million loan facility with Münchener Hypothekenbank eG. The facility matures on 22 May 2024 and carries a fixed interest rate of 1.76% per annum payable quarterly. The facility was subject to a 0.3% arrangement fee which is being amortised over the period of the loan. The debt has a LTV covenant of 60% and a minimum net rental income covenant. The lender has a charge over the property owned by the Group with a value of €47.0 million. A pledge of all shares in the borrowing Group company is in place.

A reduction in rental income has resulted in a requirement under the minimum net rental income covenant in the loan to retain all excess income generated by the Seville property in the property owning SPV. This position will continue until the rental income increases sufficiently to meet the level required under the loan.

In 2018 and 2019, within total liabilities of the joint venture, there is also a loan amount of €10.0 million owed to the Group. The loan is expected to mature at the same time as the above-mentioned bank loan and carries a fixed interest rate of 4.37% per annum payable quarterly.

Both of the above-mentioned loans were in place during the prior year ended 30 September 2018 under the same terms.

16. Trade and other receivables

	Group 2019 €'000	Group 2018 €'000	Company 2019 €'000	Company 2018 €'000
Rent and service charges receivable	**2,771**	1,042	**–**	–
Monies held by property managers	**210**	209	**–**	–
Amounts due from subsidiary undertakings	**–**	–	**37,662**	35,467
VAT receivable	**238**	–	**–**	–
Rental and security deposits	**2,049**	1,446	**–**	–
Other debtors and prepayments	**1,073**	9,840	**33**	39
	6,341	12,537	**37,695**	35,506

Other debtors and prepayments includes tenant incentives of €304,000 (2018: €306,000). There were no provisions against the above amounts in 2019 (2018: Nil).

Notes to the Financial Statements continued

17. Derivative financial instruments

The Group has an interest rate cap in place which was purchased for €227,000 from BRED Banque Populaire on 15 December 2017 in connection to a €13.0 million loan facility drawn from the same bank with a maturity date of 15 December 2024. The interest rate cap is 1.25% with a floating rate option being Euribor 3 months. In line with IFRS 9, this derivative is reported in the consolidated financial statements at its fair value. The notional value of the instrument is €13.0 million. As at 30 September 2019 the fair value of the interest rate cap was €10,000 (2018: €188,000), giving a valuation decrease as shown within the statement of comprehensive income of €178,000.

During the year the Group entered into an interest rate cap purchased for €87,000 from HSBC Bank Plc on 31 October 2018 in connection to a €9.25 million loan facility drawn from the same bank with a maturity date of 27 September 2023. The cap interest rate is 1.0% with a floating rate option being Euribor 3 months. In line with IFRS 9, this derivative is reported in the consolidated financial statements at its fair value. As at 30 September 2019 the fair value of the interest rate cap was €3,000, giving a valuation decrease as shown in the statement of comprehensive income of €84,000.

During the year the Group entered into an interest rate cap purchased for €46,000 from Landesbank Saar on 27 March 2019 in connection to a €8.6 million loan facility drawn from the same bank with a maturity date of 27 March 2024. The interest rate cap is 1.0% with a floating rate option being Euribor 3 months. In line with IFRS 9, this derivative is reported in the consolidated financial statements at its fair value. As at 30 September 2019 the fair value of the interest rate cap was €4,000, giving a valuation decrease as shown in the statement of comprehensive income of €42,000.

Transaction costs incurred in obtaining the instruments are amortised over the period of the above-mentioned loans.

18. Cash and cash equivalents

	Group 30/09/2019 €'000	Group 30/09/2018 €'000	**Company 30/09/2019 €'000**	Company 30/09/2018 €'000
Cash at bank and in hand	**16,053**	15,738	**4,035**	4,792

19. Share capital

	Group 30/09/2019 €'000	Group 30/09/2018 €'000	**Company 30/09/2019 €'000**	Company 30/09/2018 €'000
Ordinary share capital	**15,080**	15,015	**15,080**	15,015

Share capital

As at 30 September 2019, the share capital of the Company was represented by 133,734,686 ordinary shares (2018: 133,734,686 ordinary shares) with a par value of 10.00 pence.

Issued share capital

As at 30 September 2019, the Company had 133,734,686 ordinary shares (2018: 133,734,686) in issue (no shares were held in treasury). The total number of voting rights of the Company at 30 September 2019 was 133,734,686 (2018: 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.

20. 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 23.

	Group 2019 €'000	Group 2018 €'000	**Company 2019 €'000**	Company 2018 €'000
As at 1 October	**52,150**	58,772	**–**	–
Receipt of borrowings	**8,600**	22,250	**–**	–
Disposal – loans	**–**	(29,064)	**–**	–
Disposal – finance costs	**–**	472	**–**	–
Capitalisation of finance costs	**(181)**	(416)	**–**	–
Amortisation of finance costs	**123**	136	**–**	–
As at 30 September	**60,692**	52,150	**–**	–

20. Interest-bearing loans and borrowings continued

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 twelve 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 €20,000,000. A pledge of all shares in the borrowing Group company is in place.

Bank loan – BRED Banque Populaire

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

The total amount has been 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.

The lender has a charge over property owned by the Group with a value of €37,900,000. 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%. Following City BKK's surrender in the Hamburg property, there is a debt yield waiver in place.

The lender has a charge over property owned by the Group with a value of €72,250,000. A pledge of all shares in the borrowing Group companies is in place.

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 27 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.

21. Trade and other payables

	Group 30/09/2019 €'000	Group 30/09/2018 €'000	**Company 30/09/2019 €'000**	Company 30/09/2018 €'000
Rent received in advance	**1,247**	514	**–**	–
Rental deposits	**1,901**	1,546	**–**	–
Interest payable	**58**	9	**–**	–
Retention payable	**79**	79	**–**	–
Accruals	**2,209**	2,052	**883**	714
VAT payable	**–**	297	**–**	–
Trade payables	**3,473**	584	**–**	–
	8,967	5,081	**883**	714

Notes to the Financial Statements continued

21. Trade and other payables continued
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 €140,000 (2018: €318,000) and property expenses of €952,000 (2018: €770,000).

22. Net asset value per ordinary share
The NAV per ordinary share of 136.2 euro cents per share (2018: 136.2 euro cents per share) is based on the net assets attributable to ordinary shareholders of the Group of €182,087,000 (2018: €182,069,000), and 133,734,686 ordinary shares in issue at 30 September 2019 (2018: 133,734,686 ordinary shares).

23. 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 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.

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

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

Net assets	**Group 30/09/2019 €'000**	Group 30/09/2018 €'000	**Company 30/09/2019 €'000**	Company 30/09/2018 €'000
Euros	**182,312**	182,206	**169,252**	165,719
Sterling	**(505)**	(201)	**(505)**	(201)
Rand	**280**	64	**280**	64
	182,087	182,069	**169,027**	165,582

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

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

23. Financial instruments, properties and associated risks continued

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. Credit risk relating to the joint venture loan is actively managed and the Group believes it does not carry any risk of impairment.

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 30/09/2019**	**Group balance at 30/09/2019 €'000**	**Company balance at 30/09/2019 €'000**
HSBC Bank plc	**AA–**	**105**	**105**
ING Bank N.V.	**AA–**	**9,356**	**–**
BNP Paribas	**A+**	**891**	**–**
BRED Banque Populaire	**A+**	**20**	**–**
Santander	**A**	**4,105**	**3,650**
Societe Generale SA	**A**	**839**	**–**
Commerzbank AG	**BBB+**	**457**	**–**
FirstRand Bank Limited	**BB+**	**280**	**280**
		16,053	**4,035**

Bank	Ratings as at 30/09/2018	Group balance at 30/09/2018 €'000	Company balance at 30/09/2018 €'000
HSBC Bank plc	AA–	575	525
ING Bank N.V.	A+	7,875	–
BNP Paribas	A+	584	–
BRED Banque Populaire	A+	2	–
Santander	A	6,069	4,200
Commerzbank AG	BBB+	566	–
FirstRand Bank Limited	BB+	67	67
		15,738	4,792

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

	30/09/2019 Carrying amount €'000	30/09/2018 Carrying amount €'000
Office	**2,315**	827
Retail (including retail warehousing)	**174**	63
Industrial	**282**	152
	2,771	1,042

Notes to the Financial Statements continued

23. Financial instruments, properties and associated risks continued

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

	30/09/2019 Carrying amount €'000	30/09/2018 Carrying amount €'000
0–30 days	2,771	1,042
31–60 days	–	–
61–90 days	–	–
91 days plus	–	–
	2,771	1,042

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 2019	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	61,350	65,424	413	1,236	33,862	29,913
Trade and other payables	8,909	8,909	8,909	–	–	–
Total financial liabilities	70,259	74,333	9,322	1,236	33,862	29,913

As at 30 September 2018	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	52,750	57,034	351	1,057	2,109	53,517
Trade and other payables	4,775	4,775	4,775	–	–	–
Total financial liabilities	57,525	61,809	5,126	1,057	2,109	53,517

Interest rate risk

Exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations and to interest earned on cash balances. As interest on the Group's long-term debt obligations is payable on a fixed-rate basis, or is capped, the Group has limited exposure to interest rate risk, but is exposed to changes in fair value of long-term debt obligations driven by interest rate movements. As at 30 September 2019, the fair value of the Group's loans was €61.4 million, which was equal to the carrying amount (2018: fair value and carrying amount €52.8 million).

A 1% increase or decrease in short-term interest rates would decrease or increase the annual income and equity by €0.1 million (2018: €0.1 million) based on the net of cash and variable debt balances as at 30 September 2019.

23. Financial instruments, properties and associated risks continued

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 (2018: 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 2019 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. Refer to note 17 for further detail.

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:

	30/09/2019 €'000	30/09/2018 €'000
Debt		
Loan facilities	**60,750**	52,159
Equity		
Called-up share capital and share premium	**45,123**	44,927
Retained earnings and other reserves	**136,964**	137,142
Total equity	**182,087**	182,069
Total debt and equity	**242,837**	234,228

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

24. Foreign exchange
During the year the Group incurred the following foreign currency gains and losses:

Realised currency gains of €6,000 (2018: €1,000) arose on sundry corporate expense transactions.

An unrealised currency loss of €15,000 (2018: €4,000 loss) arose when monetary assets and liabilities held by the Group were retranslated into euros at the year end for reporting purposes.

Both of these realised and unrealised amounts appear within the statement of comprehensive income.

At each year end the Group retranslates its sterling-denominated share capital, share premium and other reserves into euros using the period end exchange rate. At 30 September 2019, the cumulative unrealised currency loss arising on this retranslation was €28.5 million (2018: €29.2 million). This amount appears within the statement of changes in equity as part of other reserves.

25. Operating leases
The Group leases out its investment property under operating leases. At 30 September 2019 the future minimum lease receipts under non-cancellable leases are as follows:

The Group as a lessor	**30/09/2019 €'000**	30/09/2018 €'000
Less than one year	**12,013**	13,365
Between one and five years	**47,684**	37,497
More than five years	**43,602**	21,177
	103,299	72,039

The total above comprises the total contracted rent receivable as at 30 September 2019.

26. Related party transactions
Material agreements are disclosed in note 6 and loans to related parties are disclosed in Note 16. Directors' emoluments are disclosed in note 9.

Details of dividends received from the joint venture are disclosed in note 15.

Interest received and paid on loans to related parties are disclosed in the table below.

	30/09/2019 €'000	30/09/2018 €'000
Interest paid by SCI Rennes Anglet	**–**	(37)
Interest received from Urban SEREIT Holdings Spain S.L.	**333**	445

27. Capital commitments
At 30 September 2019 the Group had capital commitments of €2,031,000 (2018: €293,590).

28. Employees
The Group has an employee who was appointed during the year by the French branch of the Company.

29. Post balance sheet events
On 24 October 2019 a further €4.0 million of debt was received in to SCI Directoire.

On 25 November 2019 €3.7 million of new debt was received in to SCI Rumilly.

EPRA and Headline Performance Measures (Unaudited)

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

EPRA performance measures: summary table

	30/09/2019 Total €'000	30/09/2018 Total €'000
EPRA earnings	**10,547**	10,830
EPRA earnings per share	**7.9**	8.1
EPRA NAV	**183,725**	182,793
EPRA NAV per share	**137.4**	136.7
EPRA NNNAV	**183,725**	182,793
EPRA NNNAV per share	**137.4**	136.7
EPRA net initial yield	**6.2%**	6.4%
EPRA topped-up net initial yield	**6.3%**	6.4%
EPRA vacancy rate	**6.0%**	1.5%

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, divided by the weighted average number of shares.

	30/09/2019 €'000	30/09/2018 €'000
Total IFRS comprehensive income	**7,440**	15,563
Adjustments to calculate EPRA earnings:		
Net gain from fair value adjustment on investment property	**(3,530)**	(4,939)
Exchange differences on monetary items (unrealised)	**15**	4
Loss on disposal of investment properties, development properties held for investment and other interests	**–**	29
Withholding tax on profits on disposal	**–**	279
Share of joint venture loss/(gain) on investment property	**3,713**	(8)
Non-controlling interest's net revenue	**–**	(692)
Deferred tax	**609**	439
Current tax – restructuring	**1,997**	–
Net change in fair value of financial instruments	**304**	155
EPRA earnings	**10,548**	10,830
Weighted average number of ordinary shares	**133,734,686**	133,734,686
IFRS earnings per share (cents per share)	**5.6**	9.9
EPRA earnings per share (cents per share)	**7.9**	8.1

EPRA and Headline Performance Measures (Unaudited) continued

b. EPRA NAV per share
Represents the NAV adjusted to exclude assets or liabilities not expected to crystallise in a long-term investment property model, divided by the number of shares in issue.

	30/09/2019 €'000	30/09/2018 €'000
IFRS Group NAV per financial statements	182,087	182,069
Deferred tax	1,521	912
Adjustment for fair value of financial instruments	(17)	(188)
Adjustments in respect of joint venture deferred tax	134	–
EPRA NAV	183,725	182,793
Shares in issue at end of year	133,734,686	133,734,686
IFRS Group NAV per share (cents per share)	136.2	136.2
EPRA NAV per share (cents per share)	137.4	136.7

c. EPRA NNNAV per share
Represents the EPRA NAV adjusted to include the fair value of debt, divided by the number of shares in issue.

	30/09/2019 €'000	30/09/2018 €'000
EPRA NAV	183,725	182,793
Adjustments to calculate EPRA NNNAV:		
Fair value of debt adjustment	–	–
EPRA NNNAV	183,725	182,793
EPRA NNNAV per share (cents per share)	137.4	136.7

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

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

	30/09/2019 €'000	30/09/2018 €'000
Investment property – share of subsidiaries	219,200	195,950
Investment property – share of joint ventures and funds	23,500	26,000
Complete property portfolio	242,700	221,950
Allowance for estimated purchasers' costs	16,989	15,537
Grossed-up completed property portfolio valuation	259,689	237,487
Annualised cash passing rental income	16,850	15,900
Property outgoings	(800)	(800)
Net annualised rent	16,050	15,100
Notional rent expiration of rent free periods	200	200
Topped-up net annualised rent	16,250	15,300
EPRA NIY	6.2%	6.4%
EPRA 'topped-up' NIY	6.3%	6.4%

e. Headline Earnings reconciliation

	30/09/2019 €'000	30/09/2018 €'000
Total comprehensive profit	**7,440**	15,563
Adjustments to calculate Headline Earnings exclude:		
Net valuation profit on investment property	**(3,530)**	(4,939)
Loss on disposal of investment properties, development properties held for investment and other interests	**–**	29
Withholding tax on profits on disposal	**–**	279
Share of joint venture loss/(gain) on investment property	**3,713**	(8)
Minority interests net revenue	**–**	(692)
Deferred tax	**609**	439
Current tax - restructuring	**1,997**	–
Net change in fair value of financial instruments	**304**	155
Headline Earnings	**10,533**	10,826
Weighted average number of ordinary shares	**133,734,686**	133,734,686
Headline Earnings per share (cents per share)	**7.9**	8.1

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

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 2018 – 31st March 2019, the period for which environmental performance data, including greenhouse gas information is available, presented with comparison against 2017/18.

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 2018/19, out of the total 13 assets held by the Company at 31 March 2019, only six were within the operational control reporting boundary of the Company (i.e. 'managed'). In 2017/18, there were five such managed assets within the portfolio. The increase in the number of managed assets between reporting years reflects the acquisition of a managed industrial warehouse in the Netherlands part-way through 2018.

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. The proportion of data that is estimated is presented in the footnotes to the data tables.

The Company at 31 March 2019 had no direct employees and is served by the employees of the Investment Manager. 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.

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 fuel consumption (kWh)	
Sector	2017/18	**2018/19**	2017/18	**2018/19**	2017/18	**2018/19**
Office	611,839	**1,846,196**	439,842	**1,783,803**	543,907	**485,927**
Coverage	3/3	**3/3**	1/1	**1/1**	2/2	**2/2**
Retail, Shopping Centre	1,142,197	**1,018,820**				
Coverage	1/1	**1/1**				
Retail, Warehouse	69,204	**74,269**	279,196	**277,889**		
Coverage	1/1	**1/1**	1/1	**1/1**		
Industrial, Warehouse		**33,956**		**324,425**		
Coverage		**1/1**		**1/1**		
Sub-total	1,823,240	**2,973,241**	719,038	**2,386,117**	543,907	**485,927**
Coverage	5/5	**6/6**	2/2	**3/3**	2/2	**2/2**
Total (Electricity, fuel and district heating)	3,086,185	**5,845,285**				
Coverage	5/5	**6/6**				
Renewable energy %	15%	**10%**	12%	**3%**	0%	**0%**
Coverage	5/5	**6/6**	2/2	**3/3**	2/2	**2/2**

Consumption data relates to the managed portfolio only:
- Offices: Common parts, shared services and/or tenant space, where procured by the landlord
- Retail, Shopping Centre: Common parts
- Retail, Warehouse: Common parts and shared services
- Industrial, Warehouse: Whole building

Estimation: 14% of the 2018/19 electricity, 18% of the 2018/19 gas and 0% of 2018/19 the district heating data have been estimated.

The increase in office consumption for the current year reflects in part the inclusion of data for one office asset where the Company has an ownership share and has historically not been able to collect data, there are some matters of data quality to resolve with this asset and the data is included to support improved transparency.

Renewable energy (%) is calculated according to the attributes of energy supply contracts as at 31 March 2019.

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 relates to the number of managed assets for which data is reported.

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 (kWh)			Total fuels (kWh)			Total district heating (kWh)			Energy Intensity (kWh/m²)	
Sector	2017/18	**2018/19**	Change	2017/18	**2018/19**	Change	2017/18	**2018/19**	Change	2017/18	**2018/19**
Office	126,211	**121,046**	–4%				245,001	**206,659**	–16%	63.7	**56.2**
Coverage	1/1						1/1				
Retail, Warehouse	69,204	**74,269**	+7%	279,196	**277,889**	–0.5%				76.7	**77.5**
Coverage	1/1			1/1						1/1	
Sub-total	195,415	**195,315**	–0.1%	279,196	**277,889**	–0.5%	245,001	**206,659**	–16%		
Coverage	2/2			1/1			1/1				
Total (Electricity, fuel and district heating)	719,612	**679,863**	–6%								
Coverage	2/2										
Renewable energy %	100%	100%		100%	100%		0%	0%			
Coverage	2/2			1/1			1/1				

Like-for-like excludes assets that were purchased, sold or under refurbishment during the two years reported. There is therefore no like-for-like data for Retail, Shopping Centre and Industrial Warehouse. Additionally, one office asset where the Company has an ownership share has been excluded from like-for-like comparisons due to data quality.

Consumption data relates to the managed portfolio only:
- Offices: Common parts, shared services and/or tenant space, where procured by the landlord
- Retail, Warehouse: Common parts and shared services

Estimation: 10% of the 2018/19 electricity data and 0% 2018/19 of the district heating/fuels data has been estimated.

Renewable energy (%) is calculated according to the attributes of energy supply contracts as at 31 March 2019.

Intensity: An intensity measure is reported for assets within the like-for-like portfolio. Numerators / denominators are aligned as follows:
- Common areas and shared service energy consumption (kWh) divided by net lettable area (NLA m^2)

Coverage relates to the number of managed assets for which data is reported.

Sustainability Performance Measures (Environmental) (unaudited) continued

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.

<table>
<tr><th></th><th colspan="2">Absolute emissions (tCO_2e)</th><th colspan="3">Like-for-like emissions (tCO_2e)</th><th colspan="2">Like-for-like intensity (kg CO_2e/m^2)</th></tr>
<tr><th>Sector</th><th>2017/18</th><th>2017/18</th><th>2017/18</th><th>2018/19</th><th>Change</th><th>2017/18</th><th>2018/19</th></tr>
<tr><td>Office</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Scope 1</td><td>106</td><td>428</td><td>0</td><td>0</td><td>0%</td><td rowspan="2">20.3</td><td rowspan="2">18.2</td></tr>
<tr><td>Scope 2</td><td>251</td><td>305</td><td>118</td><td>106</td><td>–10%</td></tr>
<tr><td>Coverage</td><td>3/3</td><td>3/3</td><td>1/1</td><td></td><td></td><td>1/1</td><td></td></tr>
<tr><td>Retail, shopping centre</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Scope 1</td><td>0</td><td>0</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Scope 2</td><td>335</td><td>250</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Coverage</td><td>1/1</td><td>1/1</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Retail, Warehouse</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Scope 1</td><td>67</td><td>67</td><td>67</td><td>67</td><td>0%</td><td rowspan="2">21.6</td><td rowspan="2">22.0</td></tr>
<tr><td>Scope 2</td><td>31</td><td>33</td><td>31</td><td>33</td><td>7%</td></tr>
<tr><td>Coverage</td><td>1/1</td><td>1/1</td><td>1/1</td><td></td><td></td><td>1/1</td><td></td></tr>
<tr><td>Industrial, Warehouse</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Scope 1</td><td></td><td>78</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Scope 2</td><td></td><td>16</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Coverage</td><td></td><td>1/1</td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Total scope 1</td><td>173</td><td>573</td><td>67</td><td>67</td><td>0%</td><td></td><td></td></tr>
<tr><td>Total scope 2</td><td>617</td><td>605</td><td>149</td><td>139</td><td>-7%</td><td></td><td></td></tr>
<tr><td>Total scope 1 and 2</td><td>789</td><td>1,177</td><td>216</td><td>206</td><td>-5%</td><td></td><td></td></tr>
<tr><td>Coverage</td><td>5/5</td><td>6/6</td><td></td><td>2/2</td><td></td><td></td><td></td></tr>
</table>

Methodology:
The following greenhouse gas emissions' conversion factors have been applied:

<table>
<tr><th>Country</th><th>Electricity</th><th>Gas</th><th>District heating</th></tr>
<tr><td>France</td><td rowspan="4">CO_2 Emissions from Fuel Combustion 2018, International Energy Agency</td><td rowspan="3">JRC Technical Reports. Covenant of Mayors for Climate and Energy: Default emission factors for local emission inventories (2017).</td><td>No landlord procured district heating supplied.</td></tr>
<tr><td>Germany</td><td>Federal Ministry of the Environment report 'A Study of Specific Greenhouse Gas Emissions Factors for District Heating'</td></tr>
<tr><td>Netherlands</td><td>No landlord procured district heating supplied.</td></tr>
<tr><td>Spain</td><td>No landlord procured gas supplied.</td><td>No landlord procured district heating supplied.</td></tr>
</table>

- Scope 1 GHG emissions relate to the use of onsite natural gas.
- 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 or kilograms of carbon dioxide equivalent (CO_2e), where available greenhouse gas emissions conversion factors allow.

Emissions data relates to the managed portfolio only:
- Offices: Common parts, shared services and/or tenant space, where procured by the landlord.
- Retail, Shopping Centre: Common parts
- Retail, Warehouse: Common parts and shared services
- Industrial, Warehouse: Whole building
- GHG emissions associated with electricity consumed directly by tenants is not reported.

Absolute emissions estimation: 18% of 2018/19 Scope 1 emissions and 5% of 2018/19 Scope 2 emissions.

Like-for-like emissions estimation: 0% of 2018/19 Scope 1 emissions and 6% of 2018/19 Scope 2 emissions.

Intensity: An intensity measure is reported for assets within the like-for-like portfolio. Numerators/denominators are aligned as follows:
- Common areas and shared service energy-related emissions ($kgCO_2e$) divided by net lettable area (NLA m^2)

Coverage relates to number of managed assets for which data is reported.

Water (Water-Abs; Water-LfL; Water-Int)
The table below sets out water consumption from the Company's managed portfolio by sector.

	Absolute mains water consumption (m^3)		Like-for-like mains water consumption (m^3)			Like-for-like intensity (m^3/m^2)	
Sector	2017/18	**2018/19**	2017/18	**2018/19**	Change	2017/18	**2018/19**
Office	10,554	**34,062**	700	**607**	–13%	0.12	**0.10**
Coverage	3/3	**3/3**	1/1			1/1	
Retail, shopping centre	7,026	**7,853**					
Coverage	1/1	**1/1**					
Retail, Warehouse	334	**353**	334	**353**	6%	0.07	**0.08**
Coverage	1/1	**1/1**	1/1			1/1	
Industrial, Warehouse		**2,063**					
Coverage		**1/1**					
Total	**17,913**	**44,331**	**1,033**	**960**	**–7%**		
Coverage	5/5	**6/6**	2/2				

Consumption data relates to the managed portfolio only:
- Office: Whole building or common parts consumption
- Retail, Shopping Centre, Retail, Warehouse and Industrial, Warehouse: Whole building consumption

Consumption relates to mains/municipal water supplies. No non-mains water (e.g. borehole, rainwater) is consumed across the portfolio.

Like-for-like excludes assets that were purchased, sold or under refurbishment during the two years reported. Additionally, one office asset where the Company has an ownership share has been excluded from like-for-like comparisons due to poor data quality. Absolute consumption: 18% of 2018/19 water data have been estimated.

Like-for-like consumption: 8% of 2018/19 water data have been estimated.

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 net lettable area (NLA m^2)

Coverage relates to number of managed assets for which data is reported.

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				
		2017/18		**2018/19**		2017/18		**2018/19**		%
		Tonnes	%	**Tonnes**	**%**	Tonnes	%	**Tonnes**	**%**	change
Office	Recycled	19	27%	**15**	**25%**	9	39%	**9**	**39%**	0%
	Composting	2	3%	**2**	**4%**	2	9%	**2**	**9%**	0%
	Incineration with energy recovery	49	70%	**43**	**72%**	12	52%	**12**	**52%**	0%
	Landfill	0	0%	**0**	**0%**	0	0%	**0**	**0%**	0%
	Total	70		**60**		24		**24**		0%
	Coverage	2/2		**2/2**		1/1				
Retail, shopping centre	Recycled	0	0%	**0**	**0%**	0	0%	**0**	**0%**	0%
	Composting	0	0%	**0**	**0%**	0	0%	**0**	**0%**	0%
	Incineration with energy recovery	8.4	100%	**8.5**	**100%**	8.4	100%	**8.4**	**100%**	+0.7%
	Landfill	0	0%	**0**	**0%**	0	0%	**0**	**0%**	0%
	Total	8		**8**		8		**8**		+0.7%
	Coverage	1/1	1/1	**1/1**						
Total	Recycled	19	24%	**15**	**22%**	9	29%	**9**	**29%**	0%
	Composting	2	3%	**2**	**3%**	2	7%	**2**	**7%**	0%
	Incineration with energy recovery	57	73%	**51**	**75%**	21	65%	**21**	**65%**	+0.3%
	Landfill	0	0%	**0**	**0%**	0	0%	**0**	**0%**	0%
	Total	78		**68**		32		**32**		+0.2%
	Coverage	3/3	3/3	**2/2**						

Consumption data relates to the managed portfolio only:
- Offices: Whole building
- Retail, Warehouse: Whole building
- There is no landlord responsibility for waste at Retail, Shopping Centres or Industrial, Warehouse.

Like-for-like excludes assets that were purchased, sold or under refurbishment during the two years 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 relates to the number of managed assets for which data is reported.

Sustainability certification: Green building certificates (Cert-Tot)

Rating	Portfolio by floor area (%)
BREEAM In Use: Excellent	7%
Coverage	**100%**

Green building certificate records for the Company are provided as at 31 March 2019 by portfolio floor area.

Data provided includes managed and non-managed assets (i.e. the whole portfolio).

Where appropriate (for relevant assets), floor area coverage data has been adjusted to reflect the Company's share of ownership

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 certificate rating	Portfolio by floor area (%)
A	17%
B	17%
C	20%
D	25%
E	8%
F	0%
G	0%
H	0%
I	4%
No EPC	10%
Coverage	**100%**

Energy Performance Certificate records for the Fund are provided for the portfolio as at 31 March 2019.

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. A 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 fund's EPC distribution.

Where appropriate (for relevant assets), floor area coverage data has been adjusted to reflect the Company's share of ownership.

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 had no direct employees at 31 March 2019 the relevant date for this reporting period. 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 European 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 2018 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://www.schroders.com/en/sysglobalassets/digital/global/annual-report/documents/annual-report-full.pdf; and
– https://www.schroders.com/en/people/diversity-and-inclusion/gender-equality-at-schroders/

Employee gender diversity (Diversity-Emp)
As at 31 March 2019 the Company Board comprised three members: 0 (0% female); 3 (100% male).

For further information on Schroders PLC employee gender diversity, covering more employee categories, please refer to Schroders 2018 Annual Report and Accounts (page 32):
https://www.schroders.com/en/sysglobalassets/digital/global/annual-report/documents/annual-report-full.pdf

Gender pay ratio (Diversity-Pay)
The remuneration of the Company Board is set out on page 40 of this Report and Accounts document.

Schroders PLC female representation and gender pay report can be found in Schroders 2018 Annual Report and Accounts (page 78):
http://www.schroders.com/en/people/diversity-and-inclusion/gender-equality-at-schroders/

Information on Diversity and Inclusion at Schroders can be found at: https://www.schroders.com/en/people/diversity-and-inclusion

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 2018.

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 33):
https://www.schroders.com/en/sysglobalassets/digital/global/annual-report/documents/annual-report-full.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 2019:

Asset health and safety assessments (H&S-Asset)
Health and safety impacts were assessed or reviewed for compliance or improvement for 100% of managed assets held in the Company portfolio during the reporting period. Health and safety assessments may relate to one or more matters for example including (depending on asset and level of landlord/property manager control): fire and elevator safety; maintenance and inspection of mechanical systems; disabled access; emergency procedures.

Asset health and safety compliance (H&S-Comp)
No incidents of non-compliance with regulations/and or voluntary codes were identified during the reporting period.

Community engagement, impact assessments and development programmes (Comty-Eng)
Local community engagement, impact assessments and/or development programmes were completed for 7% (1 of 13) assets during the reporting period.

	Portfolio by number assets (%)
Office	0%
Retail, Shopping Centre	7%
Retail, Warehouse	0%
Industrial, Warehouse	0%
Total	**7%**

Sustainability Performance Measures (Governance)

Composition of the highest governance body (Gov-Board)
The Board of the Company comprised 3 non-executive independent directors (0 executive board members) for the 12 months to 31 March 2019.
- The average tenure of the three directors to 30 September is 2 years and 5 months
- The number of directors with competencies relating to environmental and social topics is 3/3 and their experience can be seen in the Board of Directors experience at pages 30 and 31.

Nominating and selecting the highest governance body (Gov-Select)
The role of the Nomination Committee, chaired by Sir Julian Berney, 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.

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.

Glossary

Admission	means the admission of the Company's ordinary shares to the premium segment of the Official List, to trading on the LSE's main market for listed securities, and to trading on the main board of the JSE on 9 December 2015.
AGM	means the Annual General Meeting of the Company.
Articles	means the Company's articles of association, as amended from time to time.
Companies Act	means the Companies Act 2006.
Company	is Schroder European Real Estate Investment Trust plc.
Directors	means the directors of the Company as at the date of this document and their successors and 'Director' means any one of them.
Disclosure Guidance and Transparency Rules	means the disclosure guidance and transparency rules made by the FCA under Part VII of the UK Financial Services and Markets Act 2000, as amended.
Earnings per share ('EPS')	is the profit after taxation divided by the weighted average number of shares in issue during the period. Diluted and Adjusted EPS per share are derived as set out under NAV.
Estimated rental value ('ERV')	is the Group's external valuers' reasonable opinion as to the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of a property.
EPRA	is 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.
EPRA NNNAV	is EPRA Triple Net Asset Value and includes the fair value adjustments in respect of all material balance sheet items.
FCA	is the UK Financial Conduct Authority.
Gearing	is the Group's net debt as a percentage of net assets.
Group	is the Company and its subsidiaries.
Initial yield	is the annualised net rents generated by the portfolio expressed as a percentage of the portfolio valuation.
Interest cover	is the number of times Group net interest payable is covered by Group net rental income.
IPO	is the initial placing and offer made pursuant to a prospectus dated 11 November 2015.
JSE	is the Johannesburg Stock Exchange.
Loan to value ('LTV')	is a ratio which expresses the gearing on an asset or within a company or Group by dividing the outstanding loan amount by the value of the assets on which the loan is secured.
LSE	is the London Stock Exchange.
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.

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 Tuesday, 3 March 2020 at 2.00 p.m. at 1 London Wall Place, London EC2Y 5AU. The formal Notice of Meeting is set out on pages 87 to 90. The following paragraphs explain the special business to be put to the AGM.

Resolution 8 – Directors' authority to allot ordinary shares (ordinary resolution) and Resolution 9 – 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 re-issue 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 2021 unless renewed, varied or revoked earlier.

Resolution 10 – Authority to make market purchases of the Company's own shares (special resolution)
At the AGM held on 5 March 2019, the Company was granted authority to make market purchases of up to 20,046,829 ordinary shares of 10p each for cancellation or holding in treasury. No ordinary shares have been bought back under this authority and the Company therefore has remaining authority to purchase up to 20,046,829 ordinary shares. This authority will expire at the forthcoming AGM.

The Directors believe it is in the best interests of the Company and its shareholders to have a general authority for the Company to buy back its ordinary shares in the market as they keep under review the share price discount to net asset value and the purchase of ordinary shares. A special resolution will be proposed at the forthcoming AGM to give the Company authority to make market purchases of up to 14.99% of the ordinary shares in issue as at the date of the Notice of the AGM. The Directors will exercise this authority only if the Directors consider that any purchase would be for the benefit of the Company and its shareholders, taking into account relevant factors and circumstances at the time. Any ordinary shares so purchased would be held in treasury. If renewed, the authority to be given at the 2020 AGM will lapse at the conclusion of the AGM in 2021 unless renewed, varied or revoked earlier.

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

Sir Julian Berney Bt.
Chairman

6 December 2019

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 Tuesday, 3 March 2020 at 2.00 p.m. at 1 London Wall Place, London EC2Y 5AU to consider the following resolutions of which resolutions 1 to 8 will be proposed as ordinary resolutions and resolutions 9 and 10 will be proposed as special resolutions:

1. To receive the Report of the Directors and the audited accounts for the year ended 30 September 2019.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Remuneration Report for the year ended 30 September 2019.
4. To re-elect Mr Mark Patterson as a Director of the Company.
5. To re-appoint PricewaterhouseCoopers LLP as Auditors to the Company.
6. To authorise the Directors to determine the remuneration of PricewaterhouseCoopers LLP as Auditors to the Company.
7. To approve the Company's dividend policy as set out on page 32 of the Annual Report and Accounts for the year ended 30 September 2019.
8. 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.'
9. To consider and, if thought fit, to pass the following resolution as a special resolution:

   'That, subject to and conditional on the passing of Resolution 8 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 8 and/or where such allotment constitutes an allotment of equity securities by virtue of section 560(2) of the Act as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £1,337,346 (representing 10% of the aggregate nominal amount of the share capital in issue at the date of this Notice); and provided that this power shall expire at the conclusion of the next Annual General Meeting of the Company but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require equity securities to be allotted after such expiry.'
10. To consider and, if thought fit, to pass the following resolution as a special resolution:

    'That the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the 'Act') to make market purchases (within the meaning of Section 693 of the Act) of ordinary shares of 10p each in the capital of the Company ('Shares') at whatever discount the prevailing market price represents to the prevailing net asset value per Share provided that:

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

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

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

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

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

    d. This authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company in 2021 (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

6 December 2019

Registered Office:
1 London Wall Place
London EC2Y 5AU

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 2.00 p.m. on Friday, 28 February 2020. 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 Friday, 28 February 2020, 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 Friday, 28 February 2020 shall be disregarded in determining the right of any person to attend and vote at the meeting.

4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST manual. The CREST manual can be viewed at www.euroclear.com. A CREST message appointing a proxy (a 'CREST proxy instruction') regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction previously given to

a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time for receipt of proxy appointments.

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

6. The biography of the Director offering himself for re-election is set out in the Company's Annual Report and Accounts for the year ended 30 September 2019.

7. As at 6 December 2019, 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 6 December 2019 was 133,734,686.

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

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

Information for shareholders on the South Africa register

Certificated shareholder and own-name registered dematerialised shareholders

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

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

3. Forms of proxy must be lodged with or posted to the transfer secretaries, Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107) or faxed to +27 11 688-5238 to be received by no later than 2.00 p.m. (Johannesburg time) on Friday, 28 February 2020.

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

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

6. The Chairman of the Meeting shall be entitled to decline to accept the authority of a person signing this form of proxy:
   - Under a power of attorney; or
   - On behalf of a company;

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

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

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

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

10. A vote given in terms of an instrument of proxy shall be valid in relation to the Annual General Meeting, notwithstanding the death of the person granting it, or the revocation of the proxy, or the transfer of the shares in the Company in respect of which the vote is given, unless an intimation

Explanatory Notes to the Notice of Meeting continued

in writing of such death, revocation or transfer is received by the transfer secretaries no less than 48 hours before the commencement of the Annual General Meeting.

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

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

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

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

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

Dematerialised shareholders who have not selected 'own-name' registrations

16. Dematerialised shareholders who have not selected 'own-name' registration and who wish to attend the Annual General Meeting or to vote by way of proxy, must advise their CSD Participant or broker who will issue the necessary letter of representation in writing, for a dematerialised shareholder or proxy to do so. Dematerialised shareholders who have not selected 'own-name' registration, who are unable to attend the Annual General Meeting and who wish to vote there at must provide their CSD Participant or broker with their voting instructions in terms of the custody agreement entered into between such shareholder and their CSD Participant or broker in the manner and time stipulated there in.

Shareholder Information

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

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

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

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

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

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

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

Publication of Key Information Document ('KID') by the AIFM
Pursuant to the Packaged Retail and Insurance Based Products ('PRIIPs') Regulation, the 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.

Corporate Information

Directors
Sir Julian Berney Bt.
Jonathan Thompson
Mark Patterson

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

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

Joint Sponsor and Brokers
South Africa:
PSG Corporate Services (Pty) Limited
1st Floor, OU Kollege
35 Kerk Street
Stellenbosch 7600

London:
Numis Securities Limited
10 Paternoster Square
London EC4M 7LT

Transfer Secretary
Computershare Investor Services (Pty) Limited
PO Box 61051
Marshall Town
2107
South Africa

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

Website: www.shareview.co.uk

* Calls to this number are free of charge from UK landlines.

Communications with shareholders are mailed to the address held on the register. Any notifications and enquiries relating to shareholdings, including a change of address or other amendment should be directed to Equiniti Limited at the address above.

Schroders

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