Schroders

Schroder European Real Estate Investment Trust plc

Annual Report and Consolidated Financial Statements

For the year ended 30 September 2020

About Us: Investment Objective and Purpose

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.

Covid-19

The Covid-19 pandemic is an unprecedented event for the modern global economy that has increased the risks associated with delivering the Company's strategy. The pandemic is leading to market uncertainty and volatility as well as uncertainty over rental income generated by the portfolio. This has required an immediate focus on rent collection, reducing risk and implementing new property management procedures to ensure tenants and consumers can return safely to our buildings.

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 JSE Limited (ticker: SCD).

At 30 September 2020 the Company had 133,734,686 shares in issue and had 16 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.

Contents

Highlights for the year to 30 September 2020

IFRS profit after tax

€28.4m

IFRS NAV total return

16.2%

Property returns[1]

15.7%

Dividends declared

€7.7m

LTV net of cash[1]

24%

Portfolio located in higher-growth regions[1]

100%

Office/industrial/mixed-use data centre exposure[1]

78%

GRESB 2020

- IFRS profit grown during the year to €28.4 million, underpinned by a strong valuation uplift of the Company's largest asset in Paris Boulogne-Billancourt
- Forward funding conditional sale also agreed for the Paris Boulogne-Billancourt asset; expected to deliver a potential pre-tax profit of c.€28 million on cost, demonstrating local asset management expertise to create value
- Asset management has underpinned growth in net asset value ('NAV') total return to 16.2% over the last 12 months and of 9.2% over the last three years
- Dividends continued to be paid throughout the year, totalling 78% of dividends declared in 2019 and are 112% covered by EPRA[2] earnings
- Loan to value ('LTV') net of cash reduced to 24%
- 78% of the portfolio invested in business space assets (office/industrial/mixed-use data centre) in cities including Paris, Stuttgart and Hamburg
- Actively managing the impact of Covid-19 on the portfolio. Rent collection during the pandemic is above 85%
- Global Real Estate Sustainability Benchmark ('GRESB') achieved an additional GRESB star, taking SEREIT to a three star rating for 2020

1 Calculated on a proportional basis. Includes the Group's 50% share in the Seville property.
2 Calculated using EPRA measures.

Highlights for the year to 30 September 2020 continued

Strategic[1]

Portfolio by value located in higher-growth regions

100%

(2019: 100%)

Agreed 11 new leases and lease re-gears with total annual rental income increase of

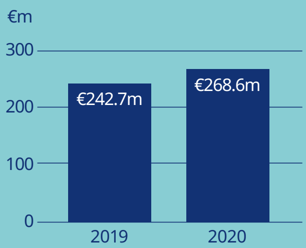
24%

(2019: 2%)

Portfolio value

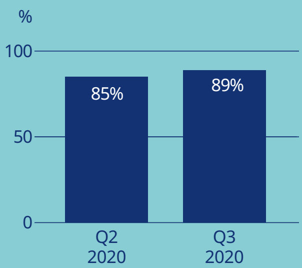
€268.6m

(2019: €242.7m)



Covid-19 rent collection average over the past six months

87%



Occupancy

96%

(2019: 94%)

Average unexpired lease term to expiry

5.5yrs

(2019: 6.4yrs)

Artist impression of the Boulogne-Billancourt, Paris refurbishment

1 Calculated on a proportional basis. Includes the Group's 50% share in the Seville property.

Performance

Portfolio total return[1]

1 year

15.7%

(2019: 7.7%)

3 years

11.4%

(2019: 9.6%)

IFRS Net asset value total return

1 year

16.2%

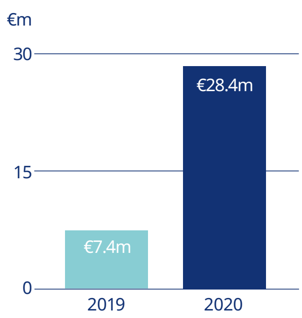
(2019: 4.1%)

3 years

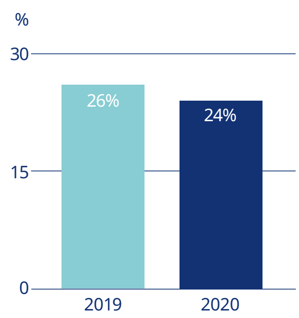
9.2%

(2019: 5.9%)

IFRS profit after tax



Loan to value (net of cash)



Portfolio Overview – At a Glance

The Company owns a diversified portfolio of commercial real estate in Continental Europe with good property fundamentals. The Company's strategy is to target 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 (53%) (2019: 47%)

Artist impression of the Boulogne-Billancourt, Paris refurbishment

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

Industrial warehousing (18%) (2019: 20%)

Rumilly, France

The Company has 18% of its portfolio in 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 which benefit from supply constraints and rental growth prospects.

Retail (22% in total, with 14% DIY and grocery, and an 8% shopping centre allocation) (2019: 25%)

Berlin, Germany

The Company's retail exposure consists of three urban retail assets (including one shopping centre held in a joint venture) located in growth cities: Berlin, Frankfurt and Seville. The focus is on assets in the 'convenience' and 'experience' sectors. The majority of the exposure is to the DIY and grocery sectors, both beneficiaries of consumer spending during the pandemic. All assets are in strong residential growth areas, with our largest exposure (Berlin) comprising four hectares of land with multiple alternative use potential.

Mixed (7%) (2019: 8%)

Apeldoorn, Netherlands

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 with the option to re-develop into alternate use.

1 Calculated on a proportional basis. Includes the Group's 50% share in the Seville property.

Top ten properties

	Property	Sector	Value (€m) and percentage of portfolio (%)
1	Paris (B-B), France	Office	€65.2m (24%)
2	Paris (SC), France	Office	€40.0m (15%)
3	Berlin, Germany	Retail (DIY)	€27.6m (10%)
4	Seville, Spain[1]	Retail (Shopping Centre)	€21.3m (8%)
5	Apeldoorn, Netherlands	Mixed	€19.1m (7%)
6	Hamburg, Germany	Office	€18.4m (7%)
7	Stuttgart, Germany	Office	€18.1m (7%)
8	Rennes, France	Industrial	€17.9m (7%)
9	Frankfurt, Germany	Retail (Grocery)	€11.3m (4%)
10	Venray, Netherlands	Industrial	€10.3m (4%)

Number of properties[1]

13

Valued at[1]

€268.6m

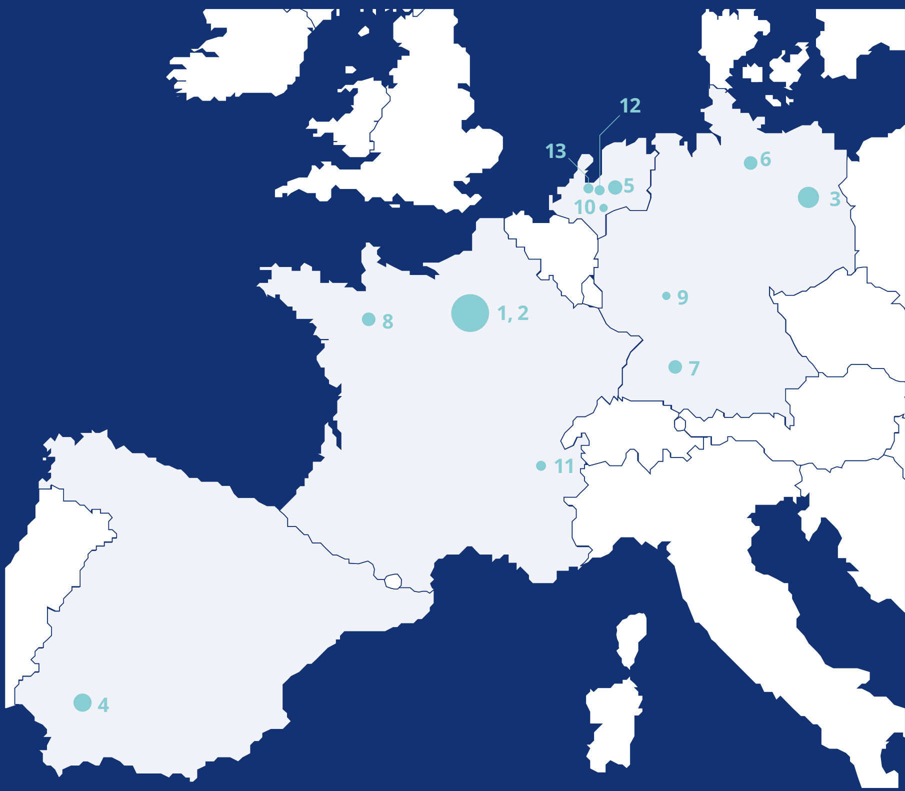
Number of tenants

95

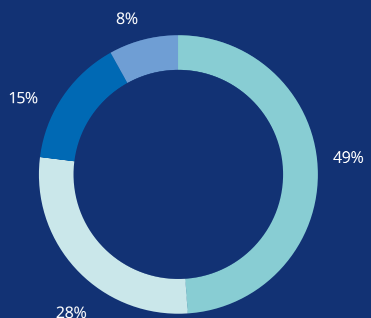
Occupancy[1]

96%

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

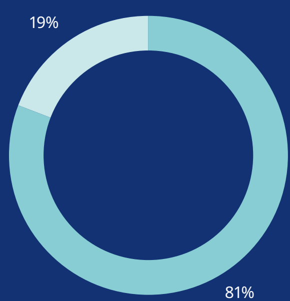


Portfolio country allocation[1]



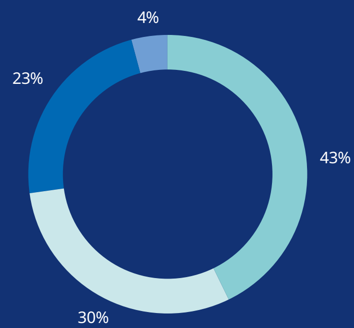
France
Netherlands
Germany
Spain

% SEREIT capital value[1]



Fastest growing regions
Second quartile

% investment universe capital value



Fastest growing regions
Third quartile
Second quartile
Slowest growing regions

1 Calculated on a proportional basis. Includes the Group's 50% share in the Seville property.

Investment Philosophy

A disciplined approach to investment

Schroder European Real Estate Investment Trust aims to provide shareholders with an attractive level of income, with the potential for income and capital growth, from owning a diversified portfolio focused on higher growth assets benefiting from structural changes ('mega themes') which are evident across the economy and real estate markets.

The portfolio is managed in accordance with an investment philosophy centred on consistent principles which are to invest in strong asset fundamentals and to actively manage assets in order to enhance value.

Mega themes

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

1. Rapid urbanisation

40 mega cities by 2030 as 6 million people move to a town or city every month and by 2050 75% of the world is expected to live in cities.

2. Demographics

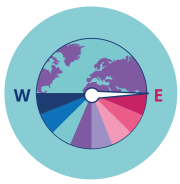
An extra billion people by 2030 as life expectancy increases.

3. Technology

90% of data that exists was created in the last two years and data volumes set to grow tenfold by 2025 with 80 billion connected devices.

4. Resources and infrastructure

Global demand for energy and food will increase by 20-40% over the next 20 years.



5. Shift from west to east

China will be the biggest economy in 2030 and the 'E7'[1] will overtake the 'G7'[2].

6. Impact investing

Positively impacting the environment and society with the potential to benefit investment returns.

At this stage it is too early to know what the long-term impact of Covid-19 on European cities will be. We expect that the main legacy of Covid-19 for commercial real estate will be to accelerate certain changes which were already underway, including online shopping, the development of more resilient supply chains and flexible office working. The shift to online shopping will clearly benefit industrial real estate, at the expense of non-food retail and the industrial sector also stands to benefit from the re-shoring of some manufacturing to Europe. The growth in working from home will have a negative impact on office demand in the short-term as some businesses downsize, but we think that will be offset in the medium term by the growth in employment in IT, media and professional services and by companies up-grading their space to attract staff and foster collaboration.

We believe the relevance of cities will continue to thrive in the longer term. However, in the short term a lot will depend on how quickly the pandemic is brought under control. If the consensus is correct and a vaccine becomes widely available in 2021, then cities should recover quickly. The advantages which cities have in terms of transport connections, leading universities and hospitals and a wealth of leisure and cultural attractions will continue to attract highly skilled workers and businesses will continue to benefit from the spillover effects of clustering together.

1 'E7' are the 'Emerging 7' economies of China, India, Brazil, Mexico, Russia, Indonesia and Turkey.
2 'G7' are the 'Group of 7' advanced economies of Canada, France, Germany, Italy, Japan, the United Kingdom and the United States.

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

Winning Cities and Regions

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

Differentiated economy

Globally facing, financial services 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


Rennes, France

Strategic priorities

Diversified 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 agreement of a new lease, refurbishment and forward funding conditional sale in Paris which will generate substantial development profit and additional funds for reinvestment and earning enhancing initiatives.

Increasing exposure to high growth sectors whilst maintaining portfolio diversification

Paris sale proceeds reduce the Company's office allocation and provides the ability to diversify further into the higher-yielding sectors such as light industrial and warehousing. 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. **Re-deployment of expected Paris net sale proceeds into new earnings enhancing initiatives including new investments**
2. **Focus on delivering an asset management programme that strengthens portfolio quality and shareholder returns**
3. **Maintain investment discipline, considering opportunities for sales and reinvestment to optimise and diversify the real estate portfolio**
4. **Keep under review potential options for growing the Company in a way that will enhance shareholder returns**

Performance Summary

Property performance[1]

	30 September 2020	30 September 2019
Value of property assets	**€268.6m**	€242.7m
Annualised rental income	**€17.2m**	€17.1m
Estimated open market rental value	**€18.6m**	€17.9m
Underlying portfolio total return	**15.7%**	7.7%
Underlying portfolio income return	**6.2%**	7.2%

Financial summary

	30 September 2020	30 September 2019
IFRS profit after tax	**€28.4m**	€7.4m
IFRS Net asset value ('NAV')	**€201.8m**	€182.1m
IFRS NAV per ordinary share	**150.9c**	136.2c
EPRA NAV	**€206.5m**	€183.7m
IFRS NAV total return (euro)	**16.2%**	4.1%
EPRA earnings	**€8.6m**	€10.5m
Dividend cover	**112%**	107%

Capital values[2]

	30 September 2020	30 September 2019
Share price	**62.0 pps/ZAR 13.92**	114.0 pps/ZAR 20.38
IFRS NAV per share	**136.9 pps/ZAR 29.65**	120.8 pps/ZAR 22.48

Earnings and dividends[3]

	30 September 2020	30 September 2019
IFRS earnings	**21.2 cps**	5.6 cps
EPRA earnings	**6.4 cps**	7.9 cps
Headline earnings	**6.4 cps**	7.9 cps
Dividends declared	**5.7 cps**	7.4 cps

Bank borrowings

	30 September 2020	30 September 2019
External bank debt (excluding costs)[4]	**€80.7m**	€73.0m
Loan to value ratio net of cash based on Gross Assets	**24%**	26%

Ongoing charges[5]

	30 September 2020	30 September 2019
Ongoing charges (fund operating expenses only)	**2.09%**	1.96%
Ongoing charges (fund and property operating expenses)	**2.74%**	2.69%

1 Includes the Group's 50% share in the Seville property proportionally valued at €21.3 million as at 30 September 2020.
2 Pps refers to pence per share.
3 Cps refers to Euro 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 €0.2 million.
5 Ongoing charges are calculated on a proportional basis and in accordance with AIC recommended methodology as a percentage of average NAV over a given period.

Covid-19 rent collection update

	Office		Industrial		Retail[2]		Mixed		Total Portfolio	
As at 30 September 2020	Q2	Q3[1]	Q2	Q3	Q2	Q3	Q2	Q3	Q2	Q3[1]
Paid	**99.9%**	**99.7%**	**79.2%**	**86.3%**	**57.7%**	**67.9%**	**100.0%**	**100.0%**	**85.1%**	**89.0%**
Deferred	0.1%	0.3%	13.7%	13.1%	0.8%	0.6%	0.0%	0.0%	3.0%	2.9%
Renegotiated/Outstanding[3]	0.0%	0.0%	7.1%	0.6%	41.5%	31.6%	0.0%	0.0%	12.0%	8.1%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

1 Alten rent for Q3 2020 subsequently converted to an incentive.
2 Calculated on a proportional basis. Includes the Group's 50% share in the Seville property.
3 Primary relates to the Metromar shopping centre in Seville.

Note: rents in France are typically billed quarterly whilst in Germany and Spain it is monthly. Rents for Netherlands vary between quarterly and monthly billing.

Venray, Netherlands

Chairman's Statement

Strong financial results driven by asset management success

Positioning the Company to withstand short-term uncertainty and generate long-term growth

Sir Julian Berney Bt.
Chairman

Overview

The Covid-19 pandemic, and its impact on society and the economies across Europe, has made the market backdrop in 2020 the most challenging since SEREIT launched in 2015. Despite this, the Company has delivered strong financial results, generating a profit of €28.4 million (2019: €7.4 million) and an NAV uplift of c.11% to €201.8 million. This is a testament to the strategy of holding a diversified portfolio of assets across Winning Cities, and implementing active asset management via on-the-ground Schroder real estate teams. It is disappointing to see that the share price has not reflected this performance.

The most significant portfolio activity highlight during the year was signing the conditional sale of the Company's largest investment, the Paris Boulogne-Billancourt office, for €104 million. The building is expected to complete in 2022 and to generate a pre-tax profit on cost of circa 35%. The sale, which is the most notable demonstration of our strategy in action in the Company's history, strengthens the balance sheet, reduces leverage and provides operational flexibility for future reinvestment.

Looking forward, we continue to focus on positioning the Company to withstand the short-term uncertainty and generate long-term growth. Whilst the recent results from trials of a vaccine should be met with optimism, we expect the consequences of Covid-19 to continue to present a challenging market backdrop for the foreseeable future and lead to long-term and permanent structural changes affecting how we live, work and play. This is particularly the case for sectors such as leisure and shopping centres, where SEREIT has only limited exposure through its Seville shopping centre (8% by value and 3.7% by NAV). We believe that the diversification of the majority of the portfolio across the office and industrial/logistics sectors in growth cities, and our focus on functional and affordable space, provides defensive characteristics to help mitigate these impacts to a certain extent. By reinvesting into assets that we believe will prosper in the longer term, and by maintaining a robust balance sheet, the Company will be well positioned going forward.

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.

The Paris Boulogne-Billancourt office project is an illustration of how execution of this strategy can generate attractive returns. The Schroder team based in France identified the Boulogne-Billancourt sub-market of Paris as an up-and-coming growth location in 2016, when the asset was acquired. The team actively sought to negotiate a new 10 year lease with the existing tenant, achieving a rent 39% higher than the prior rent, in return for a comprehensive refurbishment of the building. The decision was taken to convert this asset management into realised profit and de-risk the investment, by capitalising on the strong current investment demand for core property and complete a forward funding sale. This success was founded on the strategic pillars of investing in Winning Cities and Regions and local Schroder teams implementing value-enhancing asset management.

The third pillar of diversification across sectors and tenants has provided resilience this year in the face of the impacts from Covid-19. SEREIT has approximately 100 tenants across different industries and the majority of assets are in the office and industrial/logistics sectors. This diversification has resulted in rent collection remaining above 85% since the outbreak in March. The strategy to have a diverse portfolio not only improves the risk characteristics of the Company, but also provides opportunities to tactically allocate between different cities and sectors to potentially capitalise on changing investment fundamentals going forward.

Financial results

The Company delivered an uplift in net asset value ('NAV') of 10.8% over the year, to €201.8 million. IFRS profit increased to €28.4 million, from €7.4 million in 2019, representing an almost 300% increase. EPRA earnings were €8.6 million, compared to €10.5 million in 2019.

The main positive contributor to the results was the uplift in value of the Paris Boulogne-Billancourt office asset by €23.6 million over the period to €65.2 million, reflecting the new pre-let and forward funding conditional sale agreed for the asset.

Balance sheet and debt

Total third-party debt was €80.7 million as at 30 September, representing a loan to value ('LTV') net of cash of approximately 24% against the overall gross asset value of the Company. This compares to a net LTV cap of 35%. The Company has seven loans secured by individual assets or groups of assets, with no cross-collateralisation between loans. The average weighted total interest rate of the loans is 1.4% per annum. The weighted average duration of the loans is 3.9 years, with the earliest loan maturity in 2023. All loans are in compliance with their default covenants, though there is a cash trap in operation for the Seville loan. More detail of the individual loans is provided in the Investment Manager's Report.

The Paris Boulogne-Billancourt forward funding disposal is expected to generate approximately €60-€70 million for reinvestment, after the funding of the refurbishment of the building. The receipt of sale proceeds will be phased between December 2020 and mid 2022. These funds provide the Company with significant operational flexibility.

Dividend

Following the profitable sale of the Paris Boulogne-Billancourt office and the continued stable level of rent collection, the Board has decided to increase the quarterly dividend to 1.57 euro cents per share. This compares to the last interim dividend of 1.39 euro cents per share declared in September.

The dividend is 110% covered from income received over the quarter.

As announced previously, whilst the refurbishment of Paris Boulogne-Billancourt is being undertaken, it is expected that dividend cover from net income will reduce. The Board expects to allocate some of the net sale proceeds from the forward funding disposal of this asset, towards covering the shortfall in income from Paris Boulogne-Billancourt whilst it is being refurbished and pending reinvestment of the remainder of sale proceeds.

The Board will continue to review the dividend in 2021, in particular having regard to the reinvestment of the Paris Boulogne-Billancourt sale proceeds, market conditions and the longer term sustainable rental income collected from the portfolio.

Total dividends declared relating to the year are 5.74 euro cents per share, with a dividend cover for the year of 112%.

Responsible and impact investment and governance

Responsible and impact investment sits alongside our traditional economic and financial considerations and is reflected in the Company's values. We have achieved an additional green star rating in the annual Global Real Estate Sustainability ('GRESB') survey. Now the Company holds three green stars. We continue to review sustainability initiatives to improve on this rating.

We also welcome to the Board Elizabeth Edwards who brings extensive experience across European real estate to further enhance the Board's skill set.

Outlook

Faced with a global pandemic such as Covid-19 and ongoing political risk such as Brexit, it is impossible to accurately forecast with any degree of confidence how European economies and real estate markets will perform next year. In the face of uncertainty, we believe there will continue to be caution amongst occupiers, investors and banks, which will put downward pressure on rents and values in the short-term, particularly in certain sectors such as retail.

The diverse portfolio across Winning Cities provided a solid foundation coming into the pandemic. Through active asset management, in particular the sale of Paris Boulogne-Billancourt, we have further strengthened the Company during the year. We are looking forward to next year with cautious positivity, focusing on investing sales proceeds into new acquisition opportunities in high-growth sectors and positioning the portfolio for the next phase of the Company's growth.

Sir Julian Berney Bt.
Chairman

8 December 2020

Investment Manager's Review

Key asset initiatives completed

The Company exchanged conditional contracts for a forward funding sale of the Paris Boulogne-Billancourt office: highly accretive to shareholder returns and a strong endorsement of the strategy

Significant progress has been made during the reporting period in delivering on the stated strategy. A key success has been the exchange of conditional contracts for a forward funding sale of the Paris Boulogne-Billancourt office, that is transformational in that it is expected to deliver around €28 million in pre-tax profit (subject to programme and cost), de-risk funding for the refurbishment, provide new funds for reinvestment in shareholder enhancing initiatives and an opportunity to reposition the portfolio.

The Company has benefited from the diversification of its property portfolio, which comprises 13 investments, located in growth cities and regions of Continental Europe. The portfolio has approximately 100 tenants and benefits from being well balanced with approximately 80% in the office and industrial/data centre sectors, in cities including Paris, Berlin, Frankfurt, Hamburg and Stuttgart. This diversification has been the key to favourable rent collection and valuation resilience during the uncertainty and weakening economic conditions caused by the extraordinary effects of the Covid-19 pandemic.

Results

The NAV as at 30 September 2020 stood at €201.8 million (£183.1 million), or 150.9 euro cents (136.9 pence) per share, achieving a NAV total return of 16.2% over the 12 months to 30 September 2020.

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[1]	€million	Cps[2]	% change per cps[3]
As at 1 October 2019	**182.1**	**136.2**	**–**
Capital expenditure	(3.3)	(2.5)	(1.8)
Unrealised gain in valuation of the real estate portfolio	25.9	19.4	14.2
Provision of internal loan made to Seville joint venture[4]	(2.2)	(1.6)	(1.2)
EPRA earnings[5]	8.6	6.4	4.7
Non-cash/capital items	(0.6)	(0.4)	(0.3)
Dividends paid	(8.7)	(6.5)	(4.8)
As at 30 September 2020	**201.8**	**150.9**	**10.8**

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 2019.
4 As required under IFRS9 and disclosed in note 7.
5 EPRA earnings as reconciled on page 77 of the financial statements.

Covid-19 impact

The Covid-19 pandemic is the first time in living history that the world has faced a Global Health Crisis and so we do not know what will be the outcome. Cities are suffering the most as they face a renewed spike in virus numbers, resulting in stronger lock-down measures to curtail the virus spread, particularly as we lead into the winter months. This is translating into horrendous economic data, employment uncertainty and an overall lack of confidence across the majority of sectors. It is also leading to requests for lease amendments, rent payment terms, rent deferrals and in some instances rent reductions. This has required an immediate focus on rent collection, reducing risk and implementing new property management procedures to ensure that tenants and the public can return safely to our buildings.

At a macro level, Covid-19 is accelerating a number of the long-term structural changes that have already been identified in the Company's strategy and which will affect demand for real estate.

Increased demand for new technologies, and buildings which can accommodate these to enable more agile working, will generate higher value. This means that knowledge-based economies should continue capturing more demand. These clusters should also benefit from public and private investment in health tech and life sciences. Businesses in these sectors competing for talent will demand high quality buildings that are adaptable and promote good health and wellbeing. Other impacts such as the slowing pace of globalisation, particularly in relation to a more localised manufacturing sector, with supply chain diversification, could create greater demand for industrial space in locations capturing this new investment. In contrast, these trends and greater focus on climate change will lead to reduced demand for airfreight and reduced air travel more generally.

Finally, Covid-19 is changing social attitudes and consumer behaviour, with greater recognition of key workers and increased awareness of inequality. This will lead to changing patterns of consumption which will, for example, adversely impact retail models built on fast fashion, and boost demand for products that can appeal to both millennials and boomers. This could hasten even more the demise of physical retail that does not offer either hyper-convenience or a more fulfilling and broader experience.

Looking post-pandemic, our strategy will remain focused on Winning Cities. Larger cities offer a competitive advantage in terms of higher levels of GDP, employment and population growth. In addition, they are differentiated local economies with higher-value industries; well-developed infrastructure; strong tourism and places where people want to live and work.

Strategy

The strategy over the period ending 30 September 2020 remained focused on the following key objectives:
- Executing asset management initiatives to enhance portfolio quality, the rental profile and individual asset values;
- Delivering sustainable net income growth to support the dividend;
- Managing portfolio risk in order to enhance the portfolio's defensive qualities;
- Defending and positioning the portfolio to best deal with the Covid-19 pandemic and support the dividend;
- Working with our tenants to help manage their safety and wellbeing and, in a small number of instances, seeking to collaborate with them to help them manage cash flow.

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

- At Paris Boulogne-Billancourt ('Paris BB'):
  - Agreed new 10 year lease at a rent 39% above prior rent, in return for a comprehensive building refurbishment;
  - Agreed a forward funding sale for €104 million (subject to programme and cost), representing a 35% pre-tax profit on cost;
  - Received planning approval to extensively refurbish the building to BREEAM status (excellent) and add a further 600sqm of lettable area;
- The Paris BB sale provides funds for reinvestment into new growth opportunities and portfolio diversification;
- Securing two new lease agreement in Hamburg resulting in five of the seven floors being leased at a 12% premium to ERV and 19% above business plan;
- Concluded 11 new leases and re-gear events (including Hamburg) across the portfolio, generating €985,000 of new income (including Paris BB), 24% above previous rent at a weighted unexpired lease term of 9.3 years. Excluding Paris BB the income from the 10 leases and re-gears has been static with a weighted unexpired lease term of five years;
- For the recent pandemic period (six month period 1 April 2020 to 30 September 2020), the portfolio rent collection was 87%, increasing to 89% in October and November 2020;
- Maintained a high occupancy level of 96%, with an average portfolio unexpired lease term of 5.5 years and 4.4 years to break;
- Reduced net loan to value ('LTV') to 24% net of cash.

The forward funding disposal of Paris BB is transformational for the Company. Firstly, it locks in an attractive price and generates significant profit; secondly, it was our preferred strategy from a funding perspective, as it maintains prudent gearing, well within the 35% LTV cap; thirdly, it strengthens the Company's balance sheet, providing significant operational and financial flexibility; and finally, it provides an opportunity to re-deploy the proceeds into new earnings enhancing initiatives, including new investments to grow returns and further diversify the portfolio.

Reacting to the Covid-19 pandemic continues to be a key focus, placing even greater emphasis on asset management. The Company's medium-term strategic objectives are:

- Evolve strategy to respond to longer-term structural changes arising from Covid-19;
- Deliver asset management initiatives to grow and improve net income profile;
- Manage the Paris BB refurbishment to fulfil tenant and purchaser contractual requirements;
- Re-deploy proceeds from the sale of Paris BB into investments that will enhance long-run shareholder returns and are consistent with our strategy of investing in European growth cities;
- Further incorporate environmental, social and governance features into our investment strategy;
- Maintain prudent leverage, within the target 35% net LTV.

Market overview

Economic outlook

The third quarter of 2020 saw a strong recovery in the eurozone economy, as consumers who had been stuck at home during lockdown made up for lost time. The rebound reversed half of the fall in GDP in the first half of the year. However, future growth is likely to be slower and Schroders does not expect eurozone GDP to return to its pre-virus level until early 2022. The main downside risk is that current measures and restrictions fail and that governments have to reimpose strict local or even national lockdowns during the winter. A lot of the boost from pent-up consumer demand has now gone and further growth will depend more on government spending, investment and exports. While the new proposed €750 billion EU Recovery Fund will support increased government investment, business investment is likely to be sluggish. Our economic forecast also assumes that a vaccine for Covid-19 will become widely available during 2021, a scenario that looks more likely as a result of recent announcements. In general, we expect that cities which have strength in IT, financial & business services and pharma and have managed the pandemic relatively well (e.g. Berlin, Copenhagen, Luxembourg, Zurich) will get back to pre-virus levels of activity before cities which are more reliant on tourism and transport (e.g. Barcelona, Rome, Toulouse).

Offices

Most European cities have seen a sharp fall in office take-up this year, as the uncertain outlook for the economy has deterred occupiers from moving. While we expect that prime office rents will now fall, the low level of vacancy prior to Covid-19 and limited amount of new space under construction should limit the decline in most cities to around zero to 5%. The exceptions are likely to be Barcelona, Madrid, Milan and Paris La Défense, where there is more new speculative construction building and which have seen strictest lockdowns. Prime rents in those markets could fall by 10%-15%. In some cases, landlords will be keen to keep nominal rents up, but will provide generous incentives. Although it is possible that demand will remain weak after the pandemic, if the majority of staff choose to stay working from home, we think it is unlikely given the enduring advantages of being in the office. The office is still the best place to meet clients, communicate with colleagues, train staff and network. We expect that office demand will increase next year and that rents will stabilise in 2022/23, as vacant space is re-occupied, or converted to apartments.

Retail

Although retail sales in the eurozone have bounced back since lockdown, the recovery has been uneven. Some segments such as DIY, electronic and sports goods have enjoyed a surge in sales, while at the other extreme, fashion sales are still running at 20% below their pre-virus level. At the same time, Covid-19 has accelerated the shift to online shopping in Continental Europe by around five years. In part this is due to continuing caution about visiting stores, but it also reflects insolvencies, store closures and heavy investment by profitable retailers in websites. For example, Inditex/Zara plans to fully integrate its stores with its online platform, so that consumers can buy any item immediately and either pick it up in store, or have it delivered. The weakness of fashion sales has hit shopping centres hard and prime centre rents are likely to fall by 20%-25% between end-2019 and end-2022. The fall in prime big box rents should be smaller at around 10%, given they are less vulnerable to online retailing, rents are more affordable and social distancing is easier than in town centres. The most defensive retail types will be food supermarkets.

Logistics/industrial

Whereas Covid-19 has depressed take-up of office and retail space, demand for warehouses in Continental Europe has held firm. In part this reflects the growth of online retail, which has boosted demand for both big fulfilment centres and for smaller units in metro areas which can be used to process parcels and hold stock for same day sales. In addition, there is anecdotal evidence that the disruption caused by Covid-19 is encouraging retailers and manufacturers to increase stocks of key products and to consider re-shoring some production to Europe, in order to create two, or more independent supply chains. However, while demand for warehouses is stable, there is also significant new supply. Although most developments are pre-let, a lot of deals involve occupiers vacating older warehouses and that has led to a slight increase in vacancy. Also, the sector depends on the recovery in world trade and manufacturing that will take time to recover. Consequently, we expect that logistics rental growth will pause this year, before resuming at 1-2% in 2021.

Investment Manager's Review continued

Real estate portfolio[1]

The Group owns a portfolio of 13 institutional grade properties valued at €268.6 million as at 30 September 2020. The portfolio is 96% 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 Group holds a 50% interest.

The portfolio generates €17.2 million p.a. in contracted income. The average unexpired lease term is 4.4 years to first break and 5.5 years to expiry.

The top ten properties comprise 93% of the portfolio value:

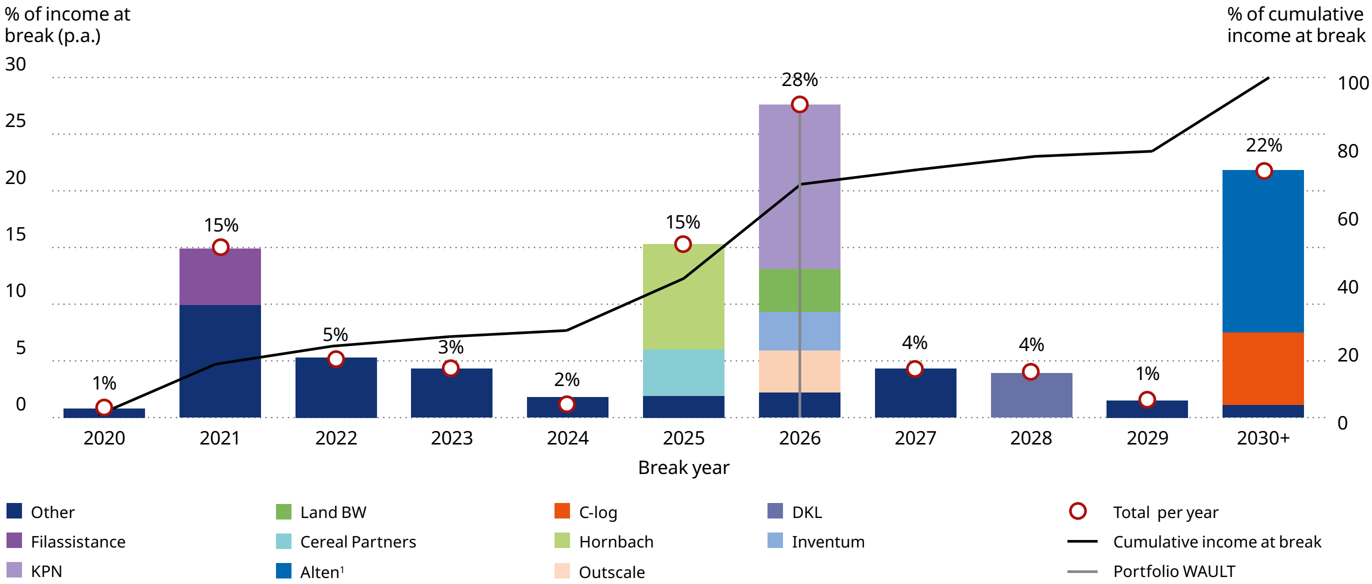
				Value	
Rank	Property	Country	Sector	€m	% of total
1	Paris (B-B)[2]	France	Office	65.2	24%
2	Paris (SC)[3]	France	Office	40.0	15%
3	Berlin	Germany	Retail	27.6	10%
4	Seville[1]	Spain	Retail	21.3	8%
5	Apeldoorn	Netherlands	Mixed	19.1	7%
6	Hamburg	Germany	Office	18.4	7%
7	Stuttgart	Germany	Office	18.1	7%
8	Rennes	France	Industrial	17.9	7%
9	Frankfurt	Germany	Retail	11.3	4%
10	Venray	Netherlands	Industrial	10.3	4%
	Top ten properties			**249.2**	**93%**
11-13	Remaining three properties	Netherlands/France	Industrial	19.4	7%
	Total			**268.6**	**100%**

The table below sets out the top ten tenants which are from a diverse range of different industry segments and represent 69% of the portfolio:

			Contracted rent		WAULT break	WAULT exp.
Rank	Tenant	Property	€m	% of total	(yrs)	(yrs)
1	KPN	Apeldoorn	2.5	15%	6.3	6.3
2	Alten	Paris (B-B)[2]	2.5	14%	0.1[3]	0.1[3]
3	Hornbach	Berlin	1.6	9%	5.3	5.3
4	C-log	Rennes	1.1	6%	10.4	10.4
5	Filassistance	Paris (SC)[3]	0.9	5%	1.3	6.3
6	Cereal Partners	Rumilly	0.7	4%	4.6	5.6
7	DKL	Venray	0.7	4%	8.0	8.0
8	LandBW	Stuttgart	0.7	4%	5.8	5.8
9	Outscale	Paris (SC)[4]	0.6	4%	5.5	8.5
10	Inventum	Houten	0.6	3%	5.7	5.7
	Total top ten tenants		**11.9**	**69%**	**4.8**	**5.4**
	Remaining tenants[3]		5.3	31%	3.6	5.8
	Total[3]		**17.2**	**100%**	**4.4**	**5.5**

1 Includes the Group's 50% share in the Seville property proportionally valued at €21.3 million as at 30 September 2020.
2 B-B refers to Boulogne-Billancourt.
3 The lease to tenant Alten has been regeared for another ten years and will commence in two years time after a substantial refurbishment.
4 S-C refers to Saint-Cloud.

The lease expiry profile to earliest break is shown below.



Portfolio performance

Over the last 12 months, the underlying property portfolio generated a total property return of 15.7%. The portfolio income return amounted to 6.2% and the portfolio capital return to 9.1% (net of capex).

The strongest contributors to portfolio performance were Paris Boulogne-Billancourt (+65% total property return), Paris Saint-Cloud (+8%), Berlin (+8%), Apeldoorn (+7%), Rennes (+8%), Stuttgart (+9%) and Rumilly (+12%).

Paris Boulogne-Billancourt saw strong capital growth due to a lease regear agreed with the asset's sole tenant and against the context of a committed refurbishment and sale agreement.

Paris Saint-Cloud is a higher-yielding property which also delivered good valuation performance driven by favourable leasing activity. Berlin, a DIY store, and the Rennes and Rumilly properties, both industrial properties, and Stuttgart, an office property, performed well led by rental value growth and positive yield re-rating.

The Apeldoorn property is over-rented and as such a high income-yielding property. Despite values declining over the period due to the remaining lease term shortening, total returns for Apeldoorn were still reasonably high.

The main detractors from portfolio performance were Seville (-8% total property return), Frankfurt (3%) and Utrecht (1%). The negative return for Seville reflected rent discounts offered, increased vacancy and weakening valuation yields reflecting the impact and uncertainty that Covid-19 is having on the retail sector. Frankfurt and Utrecht's total returns were less positive on a relative basis due to values declining slightly during the period.

Investment Manager's Review continued

Transactions and asset management

Artist's impressions of the Boulogne-Billancourt refurbishment: External

Internal

Forward funded conditional sale

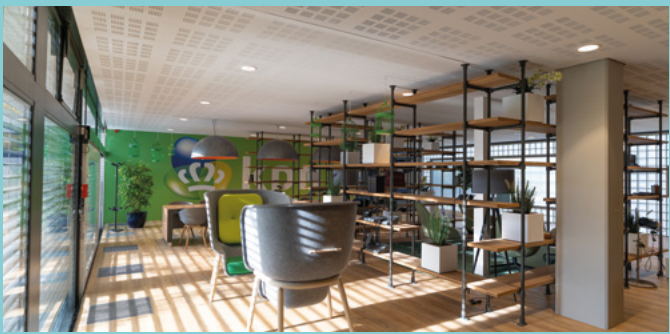
Paris, Boulogne-Billancourt

Asset strategy
Repositioning opportunity regarding an office investment located in the established Paris office sub-market of Boulogne-Billancourt. The investment was leased off modest rents and sits within a supply constrained location with competing demands for uses. Opportunity to add further floor space and dramatically improve the building quality and energy efficiency.

Asset and risk management
Transformational asset management initiative that endorses the Company's strategy to identify real estate where we can create significant value through asset management and in sub-markets that are undervalued. The team have successfully managed planning approval, added c.600 sqm of lettable area, concluded the long-term lease with the sitting tenant at a c.40% premium to previous rent, finalised design, negotiated a construction contract, de-risked the funding of the refurbishment and locked in a favourable exit value; all during the heightened pandemic period. The focus now moves to using expertise to ensure we fulfil both the tenant's and the purchaser's contractual obligations around design, quality and programme.

Investment performance
We have agreed a forward funding conditional sale of the investment for c.€104 million (€13,900/sqm) (subject to cost and programme) on the basis of refurbishing the building to Grade A quality at a cost of c.€30 million. The resultant pre-tax profit is approximately €28 million or c.35% pre-tax profit on cost (subject to programme and cost). The forward funding disposal was an attractive option for a number of reasons. Firstly, it is the preferred funding option in terms of stability of balance sheet and reducing leverage. Secondly, it locked in an attractive disposal price and profit which will provide additional funds to diversify the portfolio and invest into alternative enhancing initiatives.

Apeldoorn, Netherlands



Concept of the new Mercadona prepared foods section, Metromar

Asset management

Apeldoorn

Asset strategy
Despite lease expiry in December 2026, our focus is on working with KPN to explore longer term occupation requirements. Covid-19 is impacting sectors in different ways with demand for data centres increasing whilst the optimum long-term use of offices is being scrutinised.

Asset overview
23,700 sqm (55% office, 22% dataroom, 23% storage) fully leased to KPN, a leading Dutch telecommunications company. The asset was acquired off a 10%+ net initial yield and a capital value substantially below replacement cost.

During the financial year to 30 September 2020 the property delivered a 7.2% total return.

Key activity and performance
- Covid-19 has led to an increased demand for data centres as the pandemic has forced the globe to go virtual for work, school and play.
- Initiated preliminary discussions with the municipality regarding their longer term urban planning strategy.
- Frequent and ongoing dialogue with KPN on their future occupational requirements.

Asset management

Seville, Metromar[1]

Asset strategy
Metromar is the portfolio's sole shopping centre, representing c.8% of the value and c.4% of the NAV. The pandemic has drastically reshaped our asset strategy as we moved to ensure the safety and confidence of consumers and tenants. As a result of forced closures and restricted trading nationally, we have focused on providing tenant support to ensure the centre remains active and vibrant during an unprecedented and challenging environment.

Asset overview
23,500 sqm urban shopping centre with a tenancy mix centred on grocery, fashion and leisure that services a local and 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 2020 the property delivered a -7.5% total return. This was a result of rent discounts, increased vacancy and weakening valuation yields, reflecting the impact and uncertainty that Covid-19 presents.

Key activity and performance
- Expanded the supermarket (Mercadona) by 408 sqm to accommodate a new prepared foods section. The tenant is investing c.€3 million in their total internal fit out.
- Providing tenant support to get through the pandemic and maintain centre vibrancy.
- Further secured commitment from the cinema, a key anchor tenant, along with other occupiers at the centre increasing the WAULB from 3.1 years (Q1 2020) to 4.0 years (Q3 2020).
- The centre was awarded the SGS Disinfection Monitored Certificate demonstrative of the extensive protocols put in place by centre management to prevent the spread of infections and make it a safe and enjoyable experience for customers.

1 Includes the Group's 50% share in the Seville property proportionally valued at €21.3 million as at 30 September 2020.

Investment Manager's Review continued

Finance

As at 30 September 2020, the Group's total external debt was €80.7 million, across seven loan facilities. This represents a loan to value ('LTV') net of cash of 24% against the Group's gross asset value (gross of cash LTV is 28%). There is a net of cash LTV cap of 35% that restricts concluding new external loans if the Group's net LTV is above 35%. An increase in leverage above 35% as a result of valuation decline is excluded from this cap.

During the period, 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. The additional loans were drawn mainly to fund capital expenditure across the portfolio.

The current blended all-in interest rate is 1.4% and the average remaining loan term is 3.9 years.

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

Lender	Property	Maturity date	Outstanding principal[1]	Interest rate	Headroom LTV default covenant (% decline)	Headroom net income default covenant (% decline)
BRED Banque Populaire	Paris (S-C)	15/12/2024	€17.00m	3M Eur +1.33%	-25%	-44%
Deutsche Pfandbriefbank AG	Berlin/Frankfurt	30/06/2026	€16.50m	1.31%	-33%	-44%
Deutsche Pfandbriefbank AG	Stuttgart/Hamburg	30/06/2023	€14.00m	0.85%	-37%	-20%
Münchener Hypothekenbank eG	Seville (50%)	22/05/2024	€11.68m	1.76%	-9%	No default covenant, but currently in cash trap
HSBC Bank Plc	Utrecht, Venray, Houten	27/09/2023	€9.25m	3M Eur +2.15%	-29%	-48%
Landesbank SAAR	Rennes	28/03/2024	€8.60m	3M Eur +1.40%	-24%	-77%
Landesbank SAAR	Rumilly	30/04/2023	€3.70m	3M Eur +1.30%	-28%	-95%
Total			**€80.73m**			

1 Includes the Group's 50% share of external debt in the Seville joint venture of €11.7 million and excludes unamortised finance costs of €0.2 million.

For the Seville shopping centre, a reduction in rental income has resulted in a requirement under the loan to retain all excess income generated by the Seville property in the property-owning special purpose vehicle. This position will continue until the rental income increases sufficiently to meet the level required under the loan. There is 9% valuation decline headroom before breaching the default LTV covenant.

The Berlin/Frankfurt and Hamburg/Stuttgart loans also have cash trap covenants (in addition to the above default covenants) relating to income, which they are in full compliance with. The headroom for net income decline in respect of these is 44% for Berlin/Frankfurt and 20% for Hamburg/Stuttgart, which will increase as the vacant space at the Hamburg property is relet.

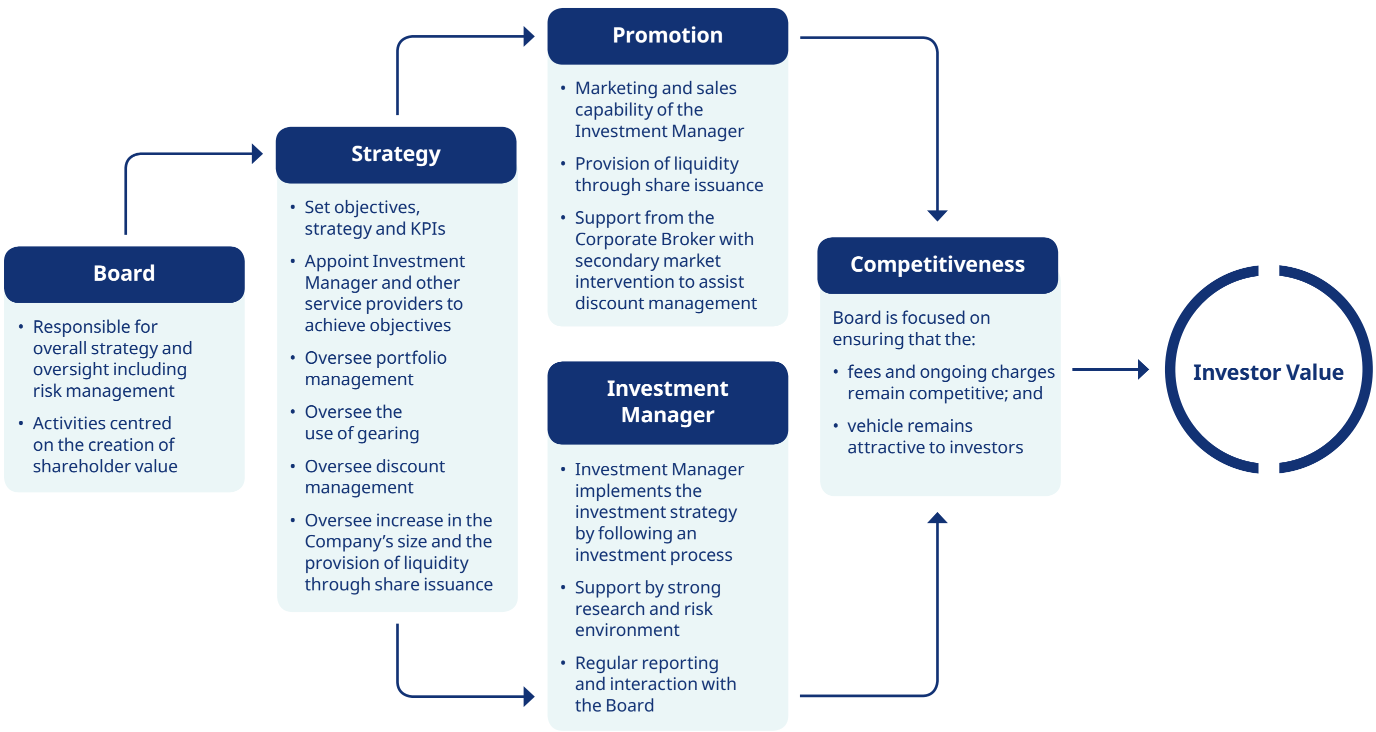
The German and Spanish loans are fixed rate for the duration of the loan term. The French and Netherlands loans are based on a margin above three-month Euribor. The Group has acquired interest rate caps to limit future potential interest costs if Euribor were to increase. The strike rates on the interest rate caps are between 0.25% p.a. and 1.25% p.a.

Schroder Real Estate Investment Management Limited

8 December 2020

Business Overview

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



Business model

The Board has appointed the Investment Manager, Schroder Real Estate Investment Management Limited, to implement the investment strategy and to manage the Company's assets in line with the appropriate restrictions placed on it by the Board, set out further below. The terms of the appointment are described more completely in the Directors' Report. The Investment Manager also promotes the Company using its sales and marketing teams. The Board and the Investment Manager work together to deliver the Company's investment objective, as demonstrated by the diagram above. The investment and promotion processes set out in the diagram are described in more detail over the following pages.

Investment

Investment strategy

Details of the Company's investment strategy are set out on the inside front cover and in the Chairman's Report on page 12 and the Investment Manager's Review on page 14.

Diversification and asset allocation

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

Borrowings

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

Business Overview continued

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, including discretionary wealth managers, private investors, financial advisers and institutions, which have the potential to be long-term supporters of the investment strategy. The Company seeks to achieve this through its Investment Manager and corporate broker, which promote the shares of the Company through regular contact with both current and potential shareholders.

These activities consist of investor lunches, one-on-one meetings, regional road shows and attendances at conferences for professional investors. In addition, the Company's shares are supported by the Investment Manager's wider marketing of investment companies targeted at all types of investors. This includes maintaining close relationships with adviser and execution-only platforms, advertising in the trade press, maintaining relationships with financial journalists and the provision of digital information on Schroders' website. 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.

Purpose, value and culture
The Company's investment objective and purpose is set out on the inside front cover.

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

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

The Board recognises the Company's responsibilities with respect to corporate and social responsibility and engages with its service providers to safeguard the Company's interests. As part of this ongoing monitoring, the Directors receive reporting from service providers on matters such as their anti-bribery and corruption policies; Modern Slavery Act 2015 statements; diversity policies; and greenhouse gas and energy usage reporting. The Management Engagement Committee reviews the Company's service providers. Its report is on page 39.

Corporate and social responsibility

Board gender diversity

As at 30 September 2020, the Board comprised three men. Following the year end, a further appointment was made and the Board now comprises three men and one woman. The Board has adopted a diversity and inclusion policy. Appointments and succession plans will always be based on merit and objective criteria and, within this context, the Board seeks to promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths. It will encourage any recruitment agencies it engages to find a diverse range of candidates that meet the objective criteria agreed for each appointment. Appointments will always be based on merit. Candidates for Board vacancies are selected based on their skills and experience, which are matched against the balance of skills and experience of the overall Board taking into account the criteria for the role being offered.

Bribery and corruption

The Company continues to be committed to carrying out its business fairly, honestly and openly and continues to operate an anti-bribery and corruption policy, as well as seeking confirmations that the Company's service providers' policies are operating soundly.

Relations with shareholders

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

In addition to the engagement and meetings held during the year, the Chairmen of the Board and its Committees attend the AGM and are available to respond to queries and concerns from shareholders.

Sustainability Report

The Board and the Investment Manager believe that ESG factors need to sit alongside traditional economic considerations

The Board and Schroder Real Estate Investment Management Limited ('SREIM') 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 SREIM 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. Ignoring these issues when considering asset management and investments would risk the erosion of income and value as well as missing opportunities to enhance investment returns.

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

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

In recognition of these responsibilities SREIM joined other members of the Better Buildings Partnership ('BBP') in September 2019 to sign the Member Climate Change Commitment. The first stage of this commitment is for all signatories to determine a pathway to Net Zero Carbon during 2020. The full wording of

Apeldoorn, Netherlands

the Commitment is at https://www.betterbuildingspartnership.co.uk/node/877.

SREIM is evolving its investment philosophy to incorporate 'positive impact' investing, this aims to proactively take action to improve social and environment outcomes. Its four Pillars of Impact: people, place, planet and prosperity are referenced to the UN Sustainable Development Goals and used to consider impacts for funds and assets.

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

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

Environmental management system

SREIM, 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. SREIM reviews its Sustainability Policy annually which is approved by the Investment Committee. Key aspects of the Policy, performance against 2019's objectives and targets, as well as objectives and targets for the year ahead, are set out below.

SREIM's process requires annual fund strategy statements and business plans to include sustainability considerations and an Impact and Sustainability Action Plan to be prepared for all acquisitions.

Property manager sustainability requirements

Property managers play an integral role in supporting the sustainability programme. SREIM 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 to help improve the property managers sustainability related services to the Company and which are assessed on a six-monthly and annual basis. SREIM is pleased to report that CBRE and Apleona, two of its principal property managers, have been assessed and performed well against key indicators.

Objectives and targets

Impact assessment

SREIM in evolving its investment philosophy to incorporate 'positive impact' investing, with the aim to proactively take action to improve social and environment outcomes, established four Pillars of Impact; people, place, planet and prosperity with key performance indicators for each pillar. The pillars are referenced to the UN Sustainable Development Goals 8 Decent work and economic growth, 11 Sustainable Cities and Communities and 13 Climate Action.

SREIM has developed an impact measurement framework to assess impacts within portfolios. This framework supports analysis of social aspects of which examples include tenant satisfaction, selection of suppliers, enhancements to amenities at and around buildings and community support and involvement together with environmental aspects for example energy reduction and use of renewables. An impact baselining exercise supports improvement opportunities across SREIM's sustainability programme and for the Company supports impact aims and targets for 2020. This initial baselining exercise has been completed and the results reviewed to identify risks and opportunities in order to set improvement targets for 2020.

Energy and GHG emissions

Active management of energy consumption and greenhouse gas 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 future-proof the portfolio against future legislation. Therefore, where the landlord retains operational control responsibilities, SREIM monitors the Company's energy usage and efficiency on a quarterly basis. SREIM has set an energy and greenhouse gas 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. SREIM 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, SREIM has continued to work with sustainability consultants Evora Global and the property managers to identify and deliver energy and greenhouse gas emissions reductions on a cost-effective basis. The programme involves identifying and implementing improvement initiatives, where viable.

SREIM can report a 9% reduction in like-for-like landlord procured energy for the Company between the reporting years 2018/19 and 2019/20. Energy performance improvement initiatives are considered for directly managed assets. Energy performance improvement initiatives undertaken during the financial year which have contributed to energy and GHG reductions include LED upgrades and replacement of defective window systems.

For detailed energy performance data covering the reporting period and the prior year, please see the EPRA Sustainability Reporting Performance Measures.

Energy Performance Certificates ('EPCs') for the operational portfolio are regularly reviewed. The EPC profile for the portfolio is set out within the EPRA Sustainability Reporting Performance Measures.

SREIM has an objective to procure 100% renewable electricity for landlord-controlled supplies. At 31 March 2020, 19% of the electricity procured on behalf of the Company was procured through a renewable tariff.

Net Zero Carbon Pathway

SREIM joined other members of the BBP in September 2019 to sign the Member Climate Change Commitment. The first stage of this commitment is for all signatories to determine a pathway to Net Zero Carbon during 2020. The commitment also includes developing climate change resilience strategies for portfolios and to determine consistent industry disclosure on climate change risks in line with industry standards, including the TCFD. The BBP commitment is an extension to SREIM's sustainability programme and the BBP will be supporting members through development of their pathways and all aspects of the commitment over the course of 2020 and beyond.

Water

Fresh water is a finite resource of increasing importance for the environment and society and reductions in consumption can deliver operational cost efficiencies. SREIM monitors water consumption where the landlord has supply responsibilities and encourages active management of asset-level consumption. Where the Company had such responsibilities, a 27% reduction in like-for-like water consumption is reported for the year 2019/20 compared to 2018/19. This reduction is driven by one asset (Paris Saint-Cloud) where significant improvements have been made to the operation of air conditioning equipment.

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. SREIM therefore has an objective to send zero waste direct to landfill and to achieve optimal recycling. During 2019/20, the Company sent zero waste direct to landfill, 29% of waste was recycled or composted and 71% incinerated with energy recovery.

Refurbishments and green building certifications

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

BREEAM In Use

During 2019/20 SREIM completed BREEAM In Use assessments including one for the Company to consider the contribution of the scheme to enhancing asset sustainability credentials. BREEAM In Use is a third-party assessment and certification of a building's operational performance against nine environmental categories: Energy, Water,

Sustainability Report continued

Transport, Management, Waste, Pollution, Health & Well-Being, Land Use & Ecology and Materials. The framework supports the overall sustainability programme for the Company with improvement actions integrated into the responsibilities of SREIM property managers.

Health, wellbeing and productivity

The real estate industry has a good appreciation of the importance of the built environment on human health, wellbeing and productivity. There has been considerable development on what building aspects matter and certification schemes, including the Well Building and Fitwel Certifications, support landlords and tenants to address these. SREIM is working to embed this aspect into its investment process, especially in relation to refurbishments and developments.

Stakeholder engagement and community

SREIM 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.

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

Compliance with legislation

Streamlined Energy and Carbon Reporting ('SECR')

An Energy and Carbon Report for the Company aligned with the UK Streamlined Energy and Carbon Reporting regulations is included in the Directors' Report.

SREIM and its advisers continue to monitor requirements and guidance in relation to managing and reporting environmental matters and developments in legislation.

Industry initiatives

EPRA sustainability reporting performance measures

The Company Report includes environmental performance indicator data for the portfolio. The disclosures are aligned with EPRA Best Practices Recommendations on Sustainability Reporting 2017 and are included in the Company EPRA Performance Measures Report.

Global Real Estate Sustainability Benchmark

The Company participated in the annual Global Real Estate Sustainability Benchmark ('GRESB') survey for the Company in 2019 achieving a Green Star. GRESB is the dominant global standard for assessing Environmental, Social and Governance performance for real estate funds and companies.

SREIM participated in the survey for the Company in 2020 and improved its star rating from two to a three star rating. The Company also continued to maintain its Green Star status; this is awarded on the two dimensions of Management and Performance which have to score at least 50%. The fund was awarded an overall GRESB score of 69, with SEREIT coming third out of 11 participants within its peer group.

Industry participation

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

Employee policies and corporate responsibility

Employees

The Company is an externally managed real estate investment trust and had one part-time direct employee at 31 March 2020; the relevant date for this reporting period. SREIM 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. SREIM'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 28 of Schroders Annual Report and Accounts 2019: https://www.schroders.com/en/sysglobalassets/annual-report/documents/Schroders_2019AnnualReport.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 triggers under that Act that required such a statement.

SREIM is part of Schroders PLC and whose statement on Slavery and Human Trafficking has been published in accordance with the Modern Slavery Act 2015 (the 'Act'). It sets out the steps that Schroders has made during 2019 and plans for 2020 towards combatting modern slavery in its business and supply chains. SREIM is part of the Schroders Group.

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

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

The Task Force on Climate-Related Financial Disclosure aims to mainstream reporting on climate-related risks and opportunities in organisations' annual financial filings. The TCFD framework is applicable to all sectors and is currently a voluntary framework, however, it is anticipated that the framework may soon become mandatory.

The TCFD recommendations are comprehensive and as a result it is widely acknowledged that full alignment takes time. The recommendations are structured around four sections: Governance, Strategy, Risk Management, and Metrics and Targets. SREIM has reviewed its current policies and practices against these criteria and provided this summary. Building on our well-established consideration of sustainability within the investment process, it will be important to further integrate the assessment of climate-related issues into existing reporting and decision-making processes in order to increase our alignment with TCFD recommendations.

Governance

In investing for the long term, we recognise the increasing importance of both forward-looking assessment of the potential impacts of climate change and the likely action necessary to ensure the assets and cities in which we invest remain resilient as we transition to a low-carbon economy. In line with our

Investing with Impact approach, we are also seeking to promote a fair and socially conscious low-carbon transition, that supports social, as well as economic and physical resilience within local communities.

Climate change is an established component of our sustainability programme, over which SREIM has oversight and ultimate responsibility. Climate change is therefore already considered within our investment process; however, as it grows in importance it will be necessary to further its integration. We are reviewing our approach to ensure we cover the full range and depth of climate-related issues. Evolving the approach in this way will be key to ensuring continued oversight and management of exposure to material risks, together with identifying opportunities, across the asset life cycle and delivering resilient long-term returns.

The Board is focused on ensuring that the Company delivers on its strategic objectives, while taking into account the impact on its stakeholders as a whole. It is our firm belief that prioritising positive stakeholder relationships is central to delivering long-term, sustainable returns. The environment is one of the five identified stakeholder groups, alongside our occupiers, our communities, our service providers and shareholders.

Strategy

Our investment philosophy and process is underpinned by fundamental research and an analytical approach that considers economic, demographic and structural influences on the market. We are considering how climate change may impact on these factors over time, as well as how governmental policies may enable mitigation of and adaption to climate change. This will enable incorporation of climate resilience into our Winning Cities investment strategy.

Through our approach of actively managing and improving the quality of our investments we are well placed to ensure assets remain fit for purpose in the transition to a low carbon economy and resilient to physical risks. We have a strong track record in reducing portfolio and asset-level energy consumption and greenhouse gas ('GHG') emissions at assets where we retain operational control. As signatories of the BBP Member Climate Change Commitment, we have also recently voluntarily committed to achieving Net Zero Carbon by 2050 at the latest and the first stage of this is to determine our Net Zero Carbon pathway during 2020. The BBP is an industry association of leading UK commercial property owners committed to improving building sustainability.

Not only is this the right thing to do as a responsible landlord, delivering on our commitment to Net Zero Carbon will also enable us to better manage potential risks posed by climate change, such as an evolving regulatory landscape and carbon pricing, and therefore protect the long-term value of assets.

We are currently reviewing our acquisition and asset business planning processes to identify areas to deepen the consideration of energy and GHG efficiency, as well as physical risks (e.g. flooding).

Risk Management

The existing portfolio-wide sustainability programme covers the life cycle of assets and enables systematic and continual appraisal of potentially material climate-related risks. Risk criteria assessed within due diligence inform our acquisition decisions (e.g. Energy Performance Certificates and Flood Risk), as well as business and sustainability plans during asset management.

For existing investments, potential climate-related risks are also tracked and managed through ongoing performance monitoring (e.g. energy and greenhouse gas emissions trends), action plans (e.g. energy efficiency improvement measures) and certification programmes (e.g. Energy Performance Certificates). Related key performance indicators for suppliers (e.g. property managers) also support climate risk management.

However, our understanding of the future potential impacts and risks from climate change is constantly evolving. Therefore, we are seeking to further embed the forward-looking identification and assessment of climate-related issues into our research process, as this will allow ongoing monitoring of emerging risks. This may also identify possible enhancements to core components of our investment process, such as our risk assessment and management framework.

Metrics and Targets

On pages 80 to 86 of this report, we report detailed performance trend data, efficiency ratios and assessment methodologies covering energy consumption, GHG emissions, water consumption and waste generation. Measuring energy consumption and GHG emissions across the portfolio supports our assessment and management of risks from transitioning to a low carbon economy, where for example, there may be increased regulation on building efficiency and carbon pricing. Measuring water consumption supports our understanding of exposure to potential future risks from certain physical climate change risks, such as water scarcity.

As also mentioned on pages 90 to 92 of this report, we have an ambitious energy and GHG emissions reduction target against which we have made good progress. These targets are a driving force behind our energy and GHG reduction programmes and are under constant review to ensure they are sufficiently ambitious and effective in managing future transition risk.

We note that historically we have focused on monitoring and targeting reductions where we have had most operational control – i.e. landlord-procured energy consumption only (so called 'Scope 1 and 2' GHG emissions). As the transition to a low carbon economy presents risks and opportunities for entire assets – i.e. landlord and tenant-controlled areas – we are reviewing the reach of our energy and GHG management programmes and considering how we may also support performance improvement in tenant-controlled areas (so called 'Scope 3' GHG emissions). Similarly, we are exploring opportunities to reduce GHG emissions associated with building materials consumed during construction and fit-out (so called 'embodied' 'Scope 3' GHG emissions). Lastly, we are investigating where financial measures of climate-related risks and opportunities may support better decision-making within the investment process.

Sustainability Assurance Statement

Our sustainability consultants, Evora Global, have prepared an Assurance Statement in relation to the sustainability matters reported on pages 80 to 92 of this Annual Report. The full statement can be found on the following link: https://www.schroders.com/en/sysglobalassets/investment-trusts/sereit/sereit-epra-assurance-statement_fv3_1602587_v1.pdf.

Strategic Review – Governance

The Board's commitment to stakeholders – section 172 Companies Act 2006 statement

Directors take their responsibilities under section 172 of the Companies Act seriously and are committed to engaging with and, understanding the views of, the Company's stakeholders and to taking those views into account in the Board's decision-making process. This statement outlines this engagement and the impact on decision-making where appropriate, and cross-refers to the decisions made by the Board during the year, detailed elsewhere in this Report.

Key stakeholders

The Board has identified its key stakeholders, which are as follows:

Shareholders – Without investors, who are willing to commit capital in return for a regular and attractive level of income together with the potential for income and capital growth as per the Company's investment objective and purpose, the Company would not exist.

Service providers – As an externally managed investment trust, the Board is reliant on service providers who have a direct working or contractual relationship with the Company. This includes, but is not limited to, the Investment Manager, Depositary, corporate broker and tax advisors.

Lenders – Borrowing allows the Company's shareholders to increase exposure to Winning Cities and maximise returns in favourable markets at a low cost. They have a financial interest in the success of the Company.

Occupiers – The Company has a diverse range of tenants occupying space across the portfolio. This includes businesses that operate out of our office or industrial space and the retailers and shoppers who work at or visit our retail properties.

Local communities – Our assets are located across Continental Europe in a range of urban environments. The buildings and their occupiers are part of the fabric of local communities.

The environment – The Company is committed to using resources such as energy, water and materials in a sustainable manner for the prevention of GHG and mitigation of climate change.

Engagement with key stakeholders and impact on decisions

As detailed in 'Promotion' on page 22 and 'Relations with Shareholders' on page 23, the Company engages with its shareholders. The Board considered feedback by shareholders when making decisions relating to the dividend, and when considering the Investment Manager's rationale for the Boulogne-Billancourt refurbishment and forward sale.

As detailed in "Purpose, Values and Culture" on page 22, the Board engages with service providers, and receives regular reporting, either directly, or through the Investment Manager or Company Secretary, on performance and other matters. The effect of such engagement, if relevant, is detailed in the Chairman's Statement, Investment Managers' Review, Audit, Valuation and Risk Committee Report and Management Engagement Committee Report.

Active and constant engagement with occupiers, either directly by the Investment Manager or through property managers or agents, provides intelligence as to what is important to them. Understanding changing needs, both at an individual company level, as well as on a sectoral and broader economic level, is a key tenet informing both individual asset management decisions as well as the longer-term strategic direction of the Company.

In terms of local communities and the environment, the Board expects the Investment Manager to engage with local communities, councils and individuals and that the Company's asset strategies are sensitive to the unique heritage of each location and take into account environmental considerations. Further information on the Investment Manager's approach to these matters is set out in the Sustainability Report on pages 24 to 27.

During the year, the Board declared four interim dividends in respect of the year ended 30 September 2020. The Directors considered the long term consequences of paying up from the Company's distributable reserves, noted the financial position of the Company, and determined that the payment of the four interim dividends was in the best interests of it stakeholders.

In relation to gearing, the Board approved a new loan of €3.7 against Rumilly and approved an increase to the Saint-Cloud loan by €4 million. The Board took into account the impact that additional funds for capital expenditure would have on the Company, and concluded that the additional funds would enhance building quality and the income profile of the portfolio to the benefit of all stakeholders.

The Board also approved the Investment Manager's recommendation in relation to the refurbishment (to BREEAM status (excellent)) and conditional forward funding sale of Boulogne-Billancourt (which required close contact with the tenant, neighbours and the local council to understand each party's requirements). Further detail is set out in the Investment Manager's Review on pages 14 to 20.

In light of the outsourced business model (set out further in the Directors' Report on page 34), the impact of the Company's operations on occupiers, local communities and the environment is through the impact of its service providers, in particular, the Investment Manager. For example, following the Covid-19 pandemic, the Investment Manager worked closely with tenants to help manage their safety and wellbeing and help manage cash flow.

Principal risks and uncertainties

The Board is responsible for the Company's system of risk management and internal control and for reviewing its effectiveness. The Board has adopted a detailed matrix of principal risks affecting the Company's business as an investment trust and has established associated policies and processes designed to manage and, where possible, mitigate those risks, which are monitored by the Audit, Valuation and Risk Committee on an ongoing basis. This system assists the Board in determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives. Both the principal risks and the monitoring system are also subject to robust review at least annually. The last review took place in November 2020.

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 Covid-19 pandemic has heightened economic and property market risk. The Investment Manager is in close contact with tenants focusing on rent collection and reducing risks so that tenants and customers can return safely to our buildings. From an emerging risk perspective, the Board is mindful of the structural change the pandemic has the potential to expedite, which could affect the use and prospects of some real estate sectors, and is keeping this under review. The Board has also 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 monitor events.

The principal risks and uncertainties faced by the Company have largely remained unchanged throughout the year, although the Board has chosen to create separate category relating to health and safety risk so that it may be kept better under review. Actions taken by the Board and its Committees to manage and mitigate the Company's principal risks and uncertainties, are set out in the table below.

Risk	Mitigation and management
Investment policy and strategy An inappropriate investment strategy, or failure to implement the strategy, could lead to underperformance and the share price being at a larger discount, or smaller premium, to NAV. This underperformance could be caused by incorrect sector and geographic weightings or a loss of income through tenant failure, both of which could lead to a fall in the value of the underlying portfolio. This fall in values would be amplified by the Company's external borrowings.	The Board seeks to mitigate these risks by: – Diversification of its property portfolio through its investment restrictions and guidelines which are monitored and reported on by the Investment Manager – Determining borrowing policy, and ensuring the Investment Manager operates within borrowing restrictions and guidelines – Receiving from the Investment Manager timely and accurate management information including performance data, attribution analysis, property level business plans and financial projections – Monitoring the implementation and results of the investment process with the Investment Manager with a separate meeting devoted to strategy each year – Reviewing marketing and distribution activity and considering the use of a discount control mechanism as necessary – Working with tenants during the Covid-19 pandemic to support their ongoing trading
Implementation of investment strategy The Investment Manager's investment strategy, if inappropriate, may result in the Company underperforming the market and/or peer group companies, leading to the Company and its objectives becoming unattractive to investors.	The Board regularly reviews: the Investment Manager's compliance with the agreed investment restrictions, investment performance and risk against investment objectives and strategy; relative performance; and the portfolio's risk profile. Appropriate strategies are employed to mitigate any negative impact of substantial changes in markets, including any potential disruption to capital markets. An annual review of the ongoing suitability of the Investment Manager is undertaken.
Economic and property market risk The performance of the Company could be affected by economic, currency and property market risk, such as that caused by the Covid-19 pandemic. In the wider economy this could include inflation or deflation, 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 considering investment decisions (for example, the potential impact of Covid-19 on the Boulogne-Billancourt refurbishment and forward sale). The Board mitigates property market risk through the review of the Company's strategy on a regular basis and discussions are held to ensure the strategy is still appropriate or if it needs updating. Diversification of the majority of the portfolio across the office and industrial/logistics sectors in growth cities, and focus on functional and affordable space, provides defensive characteristics to help mitigate Covid-19 impacts. 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.

Strategic Review – Governance continued

Risk	Mitigation and management
Custody Safe custody of the Company's assets may be compromised through control failures.	The Depositary verifies ownership and legal entitlement, and reports on safe custody of the Company's assets, including cash. The Depositary provides a quarterly report on its activities.
Gearing and leverage The Company utilises credit facilities. These arrangements increase the funds available for investment through borrowing. While this has the potential to enhance investment returns in rising markets, in falling markets the impact 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. 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, Valuation and Risk Committee meet with the external valuers to discuss the basis of their valuations and their quality control processes on a quarterly basis. Matters discussed included the application of a material uncertainty clause to the Company's valuations as a result of Covid-19 (which at year end only continued to apply to Seville). The Audit, Valuation and Risk Committee includes an experienced chartered surveyor.

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

Risk assessment and internal controls

Risk assessment includes consideration of the scope and quality of the systems of internal control operating within key service providers, and ensures regular communication of the results of monitoring by such providers to the Audit, Valuation and Risk Committee, including the incidence of significant control failings or weaknesses that have been identified at any time and the extent to which they have resulted in unforeseen outcomes or contingencies that may have a material impact on the Company's performance or condition.

No significant control failings or weaknesses were identified from the Audit, Valuation and Risk Committee's ongoing risk assessment which has been in place throughout the financial year and up to the date of this report. The Board is satisfied that it has undertaken a detailed review of the risks facing the Company.

A full analysis of the financial risks facing the Company and its subsidiaries is set out in note 25 on pages 72 to 75.

Viability statement

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

The Board conducted this review over a five-year time horizon commencing from the date of this report which is selected to match the period over which the Board monitors and reviews its financial performance and forecasting. The Investment Manager prepares five-year total return forecasts for the Continental European commercial real estate market. The Investment Manager uses these forecasts as part of analysing acquisition opportunities as well as for its annual asset level business planning process. The Board receives an overview of the asset level business plans which the Investment Manager uses to assess the performance of the underlying portfolio and therefore make investment decisions such as disposals and investing capital expenditure. The Company's principal borrowings are for a weighted duration of 3.9 years and the average unexpired lease term, assuming all tenants vacate at the earliest opportunity, is 4.4 years.

The Board's assessment of viability considers the principal risks and uncertainties faced by the Company, as detailed in the Strategic Review on pages 29 to 31, 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 (taking into account Covid-19), dividend cover, compliance with bank covenants, general liquidity requirements and potential legal and regulatory change for a five-year period. These metrics are subject to a sensitivity analysis which involves flexing a number of the main assumptions including macro-economic scenarios, delivery of specific asset management initiatives, rental growth and void/reletting assumptions. The Board also reviews assumptions regarding capital recycling and the Company's ability to refinance or extend financing facilities. Steps which are taken to mitigate these risks as set out in the Strategic Review on pages 29 to 31 are also taken into account.

Based on the assessment, and having considered in detail base and downside scenarios modelling the potential future impact of Covid-19, the Directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five-year period of their assessment.

Going concern

The Board believes it is appropriate to adopt the going concern basis in preparing the financial statements. A comprehensive going concern statement setting out the reasons the Board considers this to be the case is set out in note 1 on page 57.

By order of the Board

Sir Julian Berney Bt.
Chairman

8 December 2020

Board of Directors

Sir Julian Berney Bt.
Independent Non-Executive Chairman

Date of appointment: 6 November 2015

Aged 68, has over 40 years' real estate experience. During this period he has worked on property investment portfolios in the UK, Scandinavia, and Continental Europe. In recent years he has assisted Cityhold, part of the National Pension Fund of Sweden, to acquire and manage its property investment portfolio in the UK and Continental Europe. Formerly he was a director at BNP Paribas Real Estate Investment Management with responsibilities to its European fund and with Aberdeen Property Investors to develop its property funds. A large part of his career was at Jones Lang LaSalle where he was an international director and held a number of senior appointments including chairman of the Scandinavian businesses, a director of the European business team, and a member of the European Capital Markets board. He is a Fellow of the Royal Institution of Chartered Surveyors.

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

Current remuneration: £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 66, 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, Valuation and Risk, 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 62, 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, Valuation and Risk, Management Engagement and Nomination and Remuneration Committees (Chairman of the Audit, Valuation and Risk 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

Ms Elizabeth Edwards

Independent Non-Executive Director

Date of appointment: 1 November 2020

Aged 63, is currently a non-executive director and audit and nominations committee member of CLS Holdings plc, a board trustee and audit committee chairman of The Salvation Army International Trustee Company and a trustee of Refuge. A chartered surveyor by background and a Fellow of the Royal Institution of Chartered Surveyors, she has worked in commercial property investment both in the UK and in Europe since 1980, with a focus on lending.

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

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 2020.

Directors and officers

Chairman

The Chairman is an independent non-executive Director who is responsible for leadership of the Board and ensuring its effectiveness in all aspects of its role. The Chairman's other significant commitments are detailed on page 32. He has no conflicting relationships.

Company Secretary

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

Role and operation of the Board

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

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

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

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

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

Committees

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

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

Key service providers

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

Investment Manager

The Company is an Alternative Investment Fund as defined by the Alternative Investment Fund Managers Directive and has appointed the Investment Manager to provide investment and asset management services to the Company and its subsidiaries and to act as its alternative investment fund manager ('AIFM') in accordance with the terms of an Investment Management Agreement. The Investment Management Agreement, which is governed by the laws of England and Wales, can be terminated by either party on 12 months' notice or on immediate notice in the event of certain breaches or the insolvency of either party.

The Investment Manager is authorised and regulated by the 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 £536.3 billion (as at 30 September 2020) 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 2020 amounted to €1,945,000 (2019: €1,904,000).

During the year ended 30 September 2020, 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 62.

The Board has reviewed the performance of the Investment Manager during the year under review and continues to consider that it has the appropriate capabilities required to allow the Company to achieve its investment objective, and believes that the continuing appointment of the Investment Manager is in the best interest of shareholders as a whole.

Depositary
Langham Hall UK Depositary LLP, which is authorised and regulated by the FCA, carries out certain duties of a Depositary specified in the AIFM Directive including, in relation to the Company, as follows:
– Safekeeping of the assets of the Company which are entrusted to it;
– Monitoring of the Company's cash flows; and
– Oversight of the Company and the Investment Manager.

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

Compliance with the UK Corporate Governance Code

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 July 2018. The Code is published by the UK Financial Reporting Council and is available to download from www.frc.org.uk.

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 45 and the viability and going concern statements set out on page 31, indicate how the Company has applied the Code's principles of good governance and its requirements on internal control. The Strategic Report and Directors' Report provide further details on the Company's risk management, governance and diversity policies.

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, Valuation and Risk Committee effectively acts as the Senior Independent Director, leads the evaluation of the performance of the Chairman and is available to Directors and/or shareholders if they have concerns which cannot be resolved through discussion with the Chairman.

It is noted that the Chairman is a member of the Audit, Valuation and Risk Committee. Having regard to the Chairman's extensive experience as a chartered surveyor, and the key role played by the Committee in reviewing valuations for inclusion in the Company's NAV and monitoring the effectiveness of the Company's valuation policies and methods, it is considered that the Chairman's membership of the Committee is appropriate and necessary for the Committee to discharge its duties.

The Board has agreed that it will report against the provisions of the AIC Code of Corporate Governance for the financial year ending 30 September 2021.

Dividend and dividend policy

Having already paid interim dividends amounting to 4.165 euro cents per share, the Board has declared a fourth interim dividend of 1.57 euro cents per share for the year ended 30 September 2020, which is payable on 25 January 2021 to shareholders on the Register on 8 January 2021. Thus, dividends for the year amount to 5.7 euro cents (2019: 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.

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

Status
The Company carries on business as an investment trust. Its shares are listed and admitted to trading on the premium segment of the Main Market of the London Stock Exchange. It also has a secondary listing on the Main Board of JSE Limited. The Company has been approved by HM Revenue and Customs as an investment trust in accordance with section 1158 of the Corporation Tax Act 2010, by way of a one-off application and it is intended that the Company will continue to conduct its affairs in a manner which will enable it to retain this status.

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

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

As at the date of this report, the Company had 16 subsidiaries, details of which are set out in note 15 on page 67, and a branch in France.

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

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 2020	Percentage of total voting rights
Truffle Asset Management Pty Limited	**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

Directors' Report continued

There have been no notified changes to the holdings set out on page 35 as at the date of this report.

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

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

	Board	Audit, Valuation and Risk Committee	Nomination and Remuneration Committee	Management Engagement Committee	Ad hoc
Sir Julian Berney Bt. (Chairman)	4/4	8/8	1/1	1/1	4/4
Jonathan Thompson	4/4	8/8	1/1	1/1	4/4
Mark Patterson	4/4	8/8	1/1	1/1	4/4

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

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

By order of the Board

Schroder Investment Management Limited
Company Secretary

8 December 2020

Audit, Valuation and Risk Committee Report

The responsibilities and work carried out by the Audit, Valuation and Risk Committee during the year under review are set out in the following report. The duties and responsibilities of the Committee, which include monitoring the integrity of the Company's financial reporting and internal controls, may be found in the terms of reference which are set out on the Company's webpages at www.schroders.co.uk/sereit. All Directors are members of the Committee. Jonathan Thompson is the Chairman of the Committee. The 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 2020. 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 ESG matters;
– 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 2020, the Audit, Valuation and Risk Committee considered the following significant issues, including principal risks and uncertainties in light of the Company's activities, and issues communicated by the Auditors during its reporting:

Matter	Action
Property valuation Property valuation is central to the business and is a significant area of judgement. Although valued by an independent firm of valuers, Knight Frank LLP, the valuation is inherently subjective. Errors in valuation could have a material impact on the Group's NAV.	The Audit, Valuation and Risk Committee reviewed the outcomes of the valuation process throughout the year and discussed the detail of each quarterly valuation with the Investment Manager at the Committee meetings. The Audit, Valuation and Risk Committee met with Knight Frank LLP outside the formal meeting structure to discuss the process, assumptions, independence and communication with the Investment Manager. In particular, the Committee discussed the material uncertainty clause applied to the Company's valuations (which at year end only continued to apply to Seville). Furthermore, as this is the main area of audit focus, the Auditors contact the valuers directly and independently of the Investment Manager. The Audit, Valuation and Risk Committee receives detailed verbal and written reports from the Auditors on this matter as part of their half year and year end reporting to the Audit, Valuation and Risk Committee. On the basis of the above, the Audit, Valuation and Risk Committee concluded that the valuations were suitable for inclusion in the financial statements.
Overall accuracy of the Half Year and Annual Report and Accounts	Consideration of the draft Half Year and Annual Report and Accounts and the letter from the Investment Manager in support of the letter of representation to the Auditors. This included consideration of the impact of Covid-19 on the Company's viability.
Calculation of the investment management fee	Consideration of methodology used to calculate the fee, matched against the criteria set out in the Investment Management Agreement.
Internal controls and risk management	Consideration of several key aspects of internal control and risk management operating within the Investment Manager and other key service providers.
Compliance with the investment trust qualifying rules in section 1158 of the Corporation Tax Act 2010	Consideration of the Investment Manager's Report confirming compliance.

Audit, Valuation and Risk Committee Report continued

Effectiveness of the independent audit process

The Committee evaluated the effectiveness of the independent audit firm and process prior to making a recommendation on its reappointment at the forthcoming AGM. This evaluation involved an assessment of the effectiveness of the Auditors' performance against agreed criteria including: qualification; knowledge, expertise and resources; independence policies; effectiveness of audit planning; adherence to auditing standards; and overall competence. As part of the evaluation, the Committee considered feedback from the Investment Manager on the audit process and the year end report from the Auditors, which details compliance with regulatory requirements, on safeguards that have been established, and on their own internal quality control procedures. The members of the Committee 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 reappointment.

The Auditors are required to rotate the senior statutory auditor every five years. This is the third year that the senior statutory auditor, Saira Choudhry, has conducted the audit of the Company's financial statements.

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 reappoint PricewaterhouseCoopers LLP as Auditors to the Company and its subsidiaries, and to authorise the Directors to determine their remuneration will be proposed at the AGM.

Provision of non-audit services

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

The Auditors did not perform any non-audit services for the Group during the year (2019: €nil). The interim review fee was €51,000 (2019: €50,000) which is an assurance related non-audit service.

Internal audit

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

Jonathan Thompson
Audit, Valuation and Risk Committee Chairman

8 December 2020

Recommendations made to, and approved by, the Board:

- As a result of the work performed, the Committee has concluded that the Annual Report for the year ended 30 September 2020, 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 45.
- That the Auditors be recommended for reappointment at the AGM.

Management Engagement Committee Report

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

Approach

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

Application during the year

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

Recommendations made to, and approved by, the Board:
– That the ongoing appointment of the Investment Manager on the terms of the Investment Management Agreement, including the fee, was in the best interests of shareholders as a whole.
– That the Company's service providers' performance remained satisfactory.

Nomination and Remuneration Committee Report

The Nomination and Remuneration Committee is responsible for: (1) the recruitment, selection and induction of Directors; (2) their assessment during their tenure; and (3) the Board's succession. Membership of the Committee is set out on pages 32 and 33. Its terms of reference are available on the Company's webpages at www.schroders.co.uk/sereit.

Oversight of Directors

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

Approach

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

For application see page 41

Application during the year

Selection and induction	Board evaluation and fees	Succession
– The Committee discussed the need to appoint a new non-executive Director. – A job specification was agreed. – The Committee appointed Cornforth Consulting to run the search process. Cornforth Consulting is independent of the Company and Directors. – The Committee interviewed candidates in September 2020 and recommended the appointment of Elizabeth Edwards to the Board. – An induction programme for Mrs Edwards commenced in November 2020.	– An external Board evaluation was undertaken in August and September 2020. The Board evaluation was carried out by Stogdale St James, a firm independent of the Company. – The Committee reviewed each Director's time commitment and independence by reviewing a complete list of appointments, including pro bono not for profit roles, to ensure that each Director remained free from conflict and had sufficient time available to discharge each of their duties effectively. All Directors were considered to be independent in character and judgement. – The Committee considered each Director's contributions, and noted that in addition to extensive experience as professionals and non-executive Directors, each Director had valuable skills and experience, as detailed in their biographies on pages 32 and 33. – Based on its assessment, the Committee provided individual recommendations for each Director's re-election. – The Committee reviewed Directors' fees, using external benchmarking, and recommended that Directors' fees remain unchanged.	– The Committee reviewed the succession policy and agreed it was still fit for purpose.

Recommendations made to, and approved by, the Board:
- That Elizabeth Edwards be appointed as a non-executive director.
- That all Directors continue to demonstrate commitment to their roles, provide a valuable contribution to the deliberations of the Board and remain free from conflicts with the Company and its Directors, so should all be recommended for re-election by shareholders at the AGM.

Directors' Remuneration Report

Introduction

The remuneration policy below is currently in force and is subject to a binding vote every three years. The next vote will take place at the AGM in 2023 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 3 March 2020, 99.97% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the remuneration policy were in favour, while 0.03% were against. 178,503 votes were withheld.

At the AGM held on 3 March 2020, 99.97% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the Annual Report on Remuneration for the period ended 30 September 2019 were in favour, while 0.03% were against. 164,392 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.

Directors' Remuneration Report

This Report sets out how the Directors' remuneration policy was implemented during the year ended 30 September 2020.

Consideration of matters relating to Directors' remuneration

Directors' remuneration was last reviewed by the Board and the Nomination and Remuneration Committee in November 2020. 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 32 and 33. 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.

Fees paid to Directors

During the year ended 30 September 2020, 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 2020 and the previous financial year. The euro equivalent of the Director's fees is disclosed in note 10.

	Fees		Taxable benefits[1]		Annual Total		Annual percentage change
Director	**2020 £**	2019 £	**2020 £**	2019 £	**2020 £**	2019 £	(%)
Sir Julian Berney Bt.	**40,000**	40,000	**924**	783	**40,924**	40,783	0.3
Jonathan Thompson	**35,000**	35,000	**181**	–	**35,181**	35,000	0.5
Mark Patterson	**35,000**	35,000	**289**	237	**35,289**	35,237	0.1
Total	**110,000**	110,000	**1,394**	1,020	**111,394**	111,020	0.3

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 46 to 52).

Expenditure by the Company on remuneration and distributions to shareholders

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

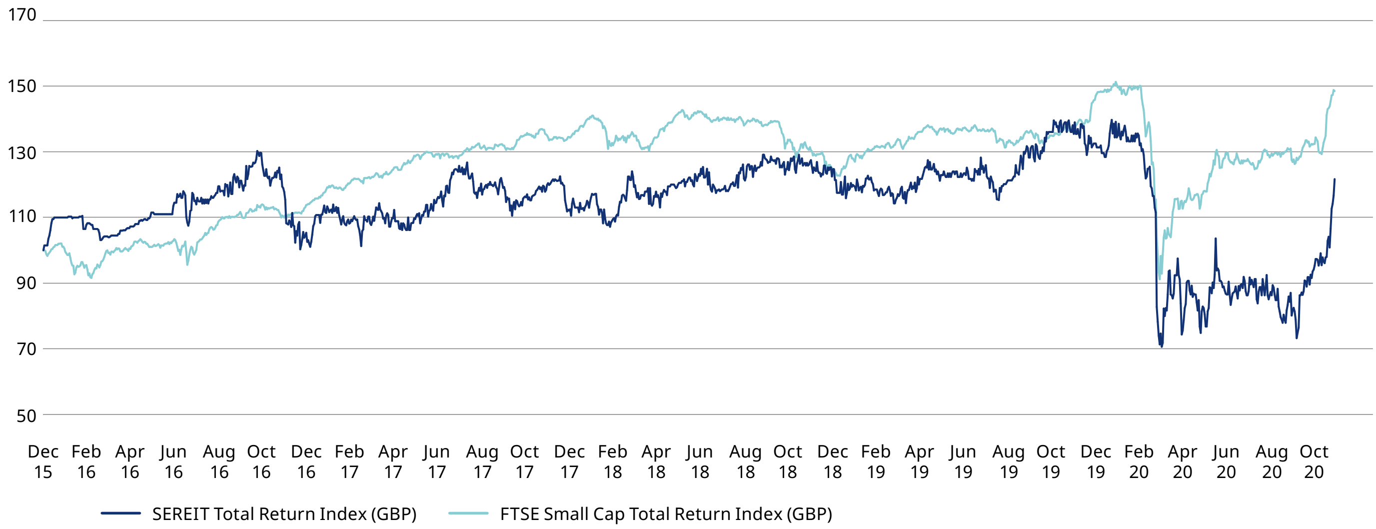
	Year ended 30 September 2020 (£'000)	Year ended 30 September 2019 (£'000)	Change (%)
Remuneration payable to Directors	**111**	111	–
Remuneration payable to employee	**22**	2[1]	1,000
Dividends paid to shareholders	**7,667**	6,550[2]	17

1 Reflects one part-time employee employed for one month of the year ended 30 September 2019.
2 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.

The information in the above table has been audited.

Directors' Remuneration Report continued

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



Source: Thomson Reuters Datastream

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

Director	At 30 September 2020	At 1 October 2019
Sir Julian Berney Bt.	**19,840**	10,000
Jonathan Thompson	**25,469**	10,000
Mark Patterson	**10,000**	10,000

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

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

Sir Julian Berney Bt.
Chairman

8 December 2020

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are 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 Directors' 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 32 and 33, 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.

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

8 December 2020

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 2020 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 2020; 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

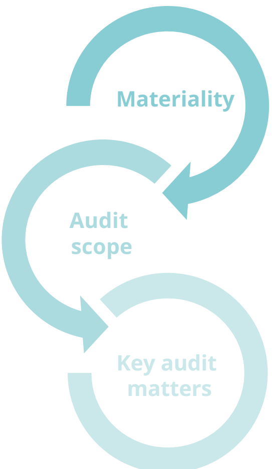
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities 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 8 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 1 October 2019 to 30 September 2020.

Our audit approach

Overview



- Overall Group materiality: €2.8 million (2019: €2.5 million), based on 1% of total assets.
- Overall Company materiality: €1.6 million (2019: €1.7 million), based on 1% of total assets.
- Specific Group materiality: €1.5 million (2019: €0.6 million), based on 5% of pre-tax profit.

- The Group audit team carried out the audit of the consolidated financial statements of Schroder European Real Estate Investment Trust plc and has the overall responsibility over the audit of the Group.
- For the subsidiaries of the Group, we worked with component auditors in Luxembourg, who performed the audit of the Luxembourg holding and property companies, German property holding companies and Spanish joint venture, and PwC France, who performed the audit of the French holding and property companies.
- Taken together, the entities in the scope of audit work accounted for over 98% of the Group's profit and assets.

- Valuation of investment properties, either held directly or through joint ventures (Group)
- Covid-19 (Group)

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;
- Understanding management's internal controls designed to prevent and detect irregularities;
- Reviewing relevant meeting minutes, including those of the Board of Directors and the Audit Committee;
- Review of financial statement disclosures and agreement to underlying supporting documentation;
- Review of independent confirmations from legal advisors;
- Review of work of significant component auditors;
- Challenge of assumptions and judgements made by management in their significant accounting estimates, in particular in relation to valuation of investment properties; and
- Identification and testing of 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, either held directly or through joint ventures (Group) Refer to Audit, Valuation and Risk Committee Report, Notes to the financial statements – Note 14 Investment property and Note 1 Significant accounting policies. The Group owns either directly or through a joint venture a portfolio of properties consisting of retail, industrial and office real estate, located in Germany, the Netherlands, France and Spain. The methodology applied in determining the valuations is set out in note 14 to the financial statements. The total property portfolio valuation for the Group was €181.1 million and for the Group's share in joint venture was €21.3 million as at 30 September 2020. During the year ended 30 September 2020, an investment property based in Paris, Boulogne-Billancourt, was transferred to non-current asset held for sale with a valuation of €65.2 million in accordance with IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations. 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 valuer has included a material valuation uncertainty clause in its valuation report as at 30 September 2020 for the underlying property held by the joint venture only, and for no other assets. This clause highlights that less certainty, and consequently a higher degree of caution, should be attached to the valuation as a result of the Covid-19 pandemic. This represents a significant estimation uncertainty in relation to the valuation of investment property held by the joint venture. In determining the valuation of a property, the Valuers take into account property-specific information such as the current tenancy agreements and rental income. They apply assumptions for yields and estimated market rent, which are influenced by prevailing market yields and comparable market transactions, to arrive at the final valuation. The valuation of the Group's property portfolio was identified as a key audit matter given the valuation is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental streams for that particular property. The wider challenges currently facing the real estate occupier and investor markets as a result of Covid-19 further contributed to the subjectivity for the year ended 30 September 2020. The significance of the estimates and judgements involved, coupled with the fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material misstatement, warranted specific audit focus in this area.	***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 LLP and checked their qualifications. Based on this work, we are satisfied that the firm remains competent and that the scope of their work was appropriate. ***Assumptions and estimates used by the Valuer*** We obtained details of each property held by the Group and set an expected range for yield and capital value movements, determined by reference to published benchmarks and using our experience and knowledge of the market. We then obtained and read the Knight Frank LLP valuation reports which covers each property. We determined, based on our expertise and experience, that the valuation approach for each was in accordance with Royal Institute of Chartered Surveyors (RICS) Valuation – Professional Standards guidance and applied to the financial statements in accordance with IAS 40. We compared the Investment Yields used by the Valuers to our expected range of yields and the year on year capital movement to our expected range. We also considered the reasonableness of other assumptions that are not so readily comparable with published benchmarks, such as Estimated Rental Value. Our work covered the valuation of each property. We spoke with the Valuers to understand and challenge their approach to the valuations, particularly in light of Covid-19, the key assumptions and their rationale behind the more significant valuation movements during the year. 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. We have also performed work over the transfer of the Paris Boulogne-Billancourt asset from Investment property to Non-current assets held for sale and have concluded that this has been appropriately presented and accounted for. ***Information and standing data*** We performed testing on the standing data used in relation to the valuation of investment properties. We carried out procedures, on a sample basis, to satisfy ourselves of the accuracy of the property information supplied to the Valuers by management. ***Material valuation uncertainty due to Covid-19 in the valuation of investment property held through the joint venture*** We considered the adequacy of the disclosures made in notes 1 (Significant accounting policies - Use of estimates and judgements) and 16 (Investment in joint venture) to the consolidated financial statements. These notes explain that there is significant estimation uncertainty in relation to the valuation of the shopping centre, held through the joint venture, of €21.3 million as at 30 September 2020. We discussed with management and obtained sufficient appropriate audit evidence to demonstrate that management's assessment of the suitability of valuation and disclosures made in the financial statements was appropriate.

Key audit matter	*How our audit addressed the key audit matter*
The estimates affecting the valuations included estimated yields and estimated rental value (as described in note 14 of the financial statements).	***Overall outcome*** We concluded that the assumptions used in the valuations by the Valuers were supportable in light of the evidence obtained and the disclosures in relation to the material valuation uncertainty, in respect of the underlying investment property held by the joint venture, within the financial statements are sufficient and appropriate to highlight the increased estimation uncertainty as a result of Covid-19.
Covid-19 Refer to Strategic Report – Principal risks and uncertainties, Notes to the financial statements – Note 1 Significant accounting policies – Going concern, Note 14 Investment property, Note 16 Investment in joint venture, and Note 25 Financial instruments, properties and associated risks. The outbreak of the novel coronavirus (known as Covid-19) globally is rapidly evolving and the socio-economic impact is unprecedented. It has been declared as a global pandemic and is having a major impact on economies and financial markets. The efficacy of government measures will materially influence the length of economic disruption, but it is probable there will be ongoing recessions across Europe and in the UK. In order to assess the impact of Covid-19 on the Group, management have prepared an analysis of the potential impact on the revenues, profits, cash flows, operations and liquidity position of the Group for the next 12 months and over the next five years. The analysis and related assumptions have been used by management in its assessment of the level of provisions required against certain balance sheet items, as well as underpinning the Group's going concern and viability analysis. The most significant impact to the financial statements has been in relation to the valuation of investment properties, investment in joint venture and, loan to the joint venture. Impairment provisions have been recorded in respect of the loan to the joint venture. Management's analysis includes base and downside case scenarios. In making their assessment management took into account the covenant headroom on the Group's loan facilities. There is a rental income covenant breach on the bank loan within the joint venture that has resulted in a cash trap being imposed by the bank. After considering all of these factors, management have concluded that preparing the financial statements on a going concern basis remains appropriate. No material uncertainty in relation to going concern exists. Management have described its assessment of viability in the Strategic Report – Viability statement.	We evaluated the Group's principal risks and uncertainty assessment and considered whether it addresses the relevant threats posed by Covid-19. We also evaluated management's going concern assessment and corroborated evidence of the operational impacts, considering their consistency with other available information and our understanding of the business. Our conclusions relating to going concern and other information are set out in the 'Going Concern' and 'Reporting on other information' sections of our report, respectively, below. Our procedures in respect of the valuation of investment properties are set out in the respective key audit matter above. We assessed the recoverability of the loan to the joint venture by reviewing management assessment carried out in accordance with IFRS 9 – Financial instruments. We challenged management on whether the assessment appropriately recognised the macroeconomic situation and potential impact of Covid-19 on the ability of the joint venture entity to repay the loan. We assessed the disclosures presented in the Annual Report in relation to Covid-19 by reading the other information, including the Principal risks and uncertainties set out in the Strategic Report, and assessing its consistency with the financial statements and the evidence we obtained in our audit. We considered the appropriateness of the disclosures around the increased uncertainty on its accounting estimates and consider these to be adequate. In respect of going concern, we assessed the Directors' going concern analysis in light of Covid-19 and obtained evidence to support the key assumptions used in preparing the going concern model, including assessing covenant headroom within the base case and downside scenarios. We challenged the key assumptions and the reasonableness of the mitigating actions used in preparing the analysis. In relation to the cash trap within the joint venture, we have reviewed the relevant loan agreements to understand the implications and to confirm that the debt does not have recourse to the Group. In conjunction with the above, we have reviewed management's analysis of liquidity and recalculated loan covenant compliance to satisfy ourselves that no breaches, other than the one stated above, are anticipated over the going concern period of assessment.

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

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

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 13 properties held in 10 separate statutory entities 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 at PwC Luxembourg, who performed the audit of the Luxembourg holding and property companies, German property holding companies and Spanish joint venture, and PwC France, who performed the audit of the French holding and property companies.

Throughout the audit process, the Group audit team has had numerous interactions with the component audit teams to oversee the audit process and has also performed a review of component working paper remotely via video conferencing in light of the Covid-19 pandemic.

The audit of the Company financial statements was performed entirely by the Group audit team in the UK.

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

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

	Group financial statements	***Company financial statements***
Overall materiality ***Specific materiality***	€2.8 million (2019: €2.5 million). €1.5 million (2019: €0.6 million).	€1.6 million (2019: €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, a number of key performance indicators of the Group are driven by statement of comprehensive income items and we therefore also applied a lower specific materiality for testing income statement balances 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 €300,000 and €2,500,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €139,500 (Group audit) (2019: €127,000) and €81,900 (Company audit) (2019: €85,000) 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.
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 2020 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 29 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 31 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)*

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

Other Code Provisions We have nothing to report in respect of our responsibility to report when: – The statement given by the directors, on page 45, 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 37 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)*

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 45, 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 shareholders 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 5 years, covering the years ended 30 September 2016 to 30 September 2020.

Saira Choudhry (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
8 December 2020

Consolidated and Company Statements of Comprehensive Income

For the year ended 30 September 2020

	Note	**Group year to 30/09/20 €'000**	Group year to 30/09/19 €'000	**Company year to 30/09/20 €'000**	Company year to 30/09/19 €'000
Rental and service charge income	3	**19,235**	18,667	**–**	–
Other income	4	**–**	1,500	**–**	–
Property operating expenses	5	**(5,690)**	(4,807)	**–**	–
Net rental and related income		**13,545**	15,360	**–**	–
Net gain from fair value adjustment on investment property	14	**25,505**	3,530	**–**	–
Realised gain on foreign exchange	26	**–**	6	**–**	6
Net change in fair value of financial instruments at fair value through profit or loss	19	**(21)**	(304)	**–**	–
Management fees receivable	6	**–**	–	**1,458**	1,429
Provision of loan made to Seville joint venture	7	**(2,622)**	–	**–**	–
Dividends received	9,16	**67**	93	**3,710**	13,151
Expenses					
Investment management fee	6	**(1,945)**	(1,904)	**(1,945)**	(1,904)
Valuers' and other professional fees		**(1,004)**	(953)	**(395)**	(448)
Administrator's and accounting fees		**(362)**	(342)	**(160)**	(156)
Auditors' remuneration	8	**(367)**	(356)	**(328)**	(318)
Directors' fees	10	**(139)**	(142)	**(139)**	(142)
Other expenses	10	**(551)**	(183)	**(129)**	(141)
Total expenses		**(4,368)**	(3,880)	**(3,096)**	(3,109)
Operating profit		**32,106**	14,805	**2,072**	11,477
Finance income		**730**	452	**581**	148
Finance costs		**(1,131)**	(906)	**–**	–
Net finance (costs)/income		**(401)**	(454)	**581**	148
Share of loss from joint venture	16	**(2,378)**	(3,369)	**–**	–
Profit before taxation		**29,327**	10,982	**2,653**	11,625
Taxation	11	**(925)**	(3,527)	**–**	(743)
Profit for the year		**28,402**	7,455	**2,653**	10,882
Other comprehensive loss:					
Other comprehensive loss items that may be reclassified to profit or loss:					
Currency translation differences	26	**(4)**	(15)	**(4)**	(15)
Total other comprehensive loss		**(4)**	(15)	**(4)**	(15)
Total comprehensive income for the year		**28,398**	7,440	**2,649**	10,867
Basic and diluted earnings per share attributable to owners of the parent	12	**21.2c**	5.6c	**–**	–

All items in the above statement are derived from continuing operations. The accompanying notes 1 to 32 form an integral part of the financial statements.

Consolidated and Company Statements of Financial Position

As at 30 September 2020

	Note	Group 30/09/20 €'000	Group 30/09/19 €'000	Company 30/09/20 €'000	Company 30/09/19 €'000
Assets					
Non-current assets					
Investment property	14	**181,093**	218,896	**–**	–
Investment in subsidiaries	15	**–**	–	**108,769**	128,180
Investment in joint venture	16	**–**	2,378	**–**	–
Loans to joint ventures	7,16	**7,543**	10,035	**–**	–
Non-current assets		**188,636**	231,309	**108,769**	128,180
Non-current assets held for sale	17	**65,200**	–	**–**	–
Current assets					
Trade and other receivables	18	**6,967**	6,341	**51,137**	37,695
Interest rate derivative contracts	19	**20**	17	**–**	–
Cash and cash equivalents	20	**18,035**	16,053	**3,968**	4,035
Current assets		**25,022**	22,411	**55,105**	41,730
Total assets		**278,858**	253,720	**163,874**	169,910
Equity					
Share capital	21	**17,966**	15,080	**17,966**	15,080
Share premium	21	**43,005**	30,043	**43,005**	30,043
Retained earnings/(accumulated losses)		**24,173**	4,430	**(14,869)**	(8,863)
Other reserves		**116,682**	132,534	**116,915**	132,767
Total equity		**201,826**	182,087	**163,017**	169,027
Liabilities					
Non-current liabilities					
Interest-bearing loans and borrowings	22	**68,372**	60,692	**–**	–
Deferred tax liability	11	**1,924**	1,521	**–**	–
Non-current liabilities		**70,296**	62,213	**–**	–
Current liabilities					
Trade and other payables	23	**6,736**	8,967	**857**	883
Current tax liabilities	11	**–**	453	**–**	–
Current liabilities		**6,736**	9,420	**857**	883
Total liabilities		**77,032**	71,633	**857**	883
Total equity and liabilities		**278,858**	253,720	**163,874**	169,910
Net asset value per ordinary share	24	**150.9c**	136.2c	**121.9c**	126.4c

The financial statements on pages 53 to 76 were approved at a meeting of the Board of Directors held on 8 December 2020 and signed on its behalf by:

Sir Julian Berney Bt.
Chairman

The accompanying notes 1 to 32 form an integral part of the financial statements.

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

Consolidated and Company Statements of Changes in Equity

For the year ended 30 September 2020

Group	Note	Share capital €'000	Share premium €'000	Retained earnings €'000	Other reserves €'000	Total equity €'000
Balance as at 1 October 2018		**15,015**	**29,912**	**4,397**	**132,745**	**182,069**
Profit for the year		–	–	7,455	–	7,455
Other comprehensive loss for the year		–	–	–	(15)	(15)
Dividends paid	13	–	–	(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**
Profit for the year		**–**	**–**	**28,402**	**–**	**28,402**
Other comprehensive loss for the year		**–**	**–**	**–**	**(4)**	**(4)**
Dividends paid	13	**–**	**–**	**(8,659)**	**–**	**(8,659)**
Adjustment to reflect change in accounting policy	1,21	**2,886**	**12,962**	**–**	**(15,848)**	**–**
Balance as at 30 September 2020		**17,966**	**43,005**	**24,173**	**116,682**	**201,826**

Company	Note	Share capital €'000	Share premium €'000	Accumulated losses[1] €'000	Other reserves[1] €'000	Total equity €'000
Balance as at 1 October 2018		**15,015**	**29,912**	**(12,323)**	**132,978**	**165,582**
Profit for the year		–	–	10,882	–	10,882
Other comprehensive loss for the year		–	–	–	(15)	(15)
Dividends paid	13	–	–	(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**
Profit for the year		**–**	**–**	**2,653**	**–**	**2,653**
Other comprehensive loss for the year		**–**	**–**	**–**	**(4)**	**(4)**
Dividends paid	13	**–**	**–**	**(8,659)**	**–**	**(8,659)**
Adjustment to reflect change in accounting policy	1,21	**2,886**	**12,962**	**–**	**(15,848)**	**–**
Balance as at 30 September 2020		**17,966**	**43,005**	**(14,869)**	**116,915**	**163,017**

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

The accompanying notes 1 to 32 form an integral part of the financial statements.

Consolidated and Company Statements of Cash Flows

For the year ended 30 September 2020

	Note	**Group 30/09/20 €'000**	Group 30/09/19 €'000	**Company 30/09/20 €'000**	Company 30/09/19 €'000
Operating activities					
Profit before tax for the year		**29,327**	10,982	**2,653**	11,625
Adjustments for:					
Net gain from fair value adjustment on investment property	14	**(25,505)**	(3,530)	**–**	–
Share of loss of joint venture	16	**2,378**	3,369	**–**	–
Realised foreign exchange gains	26	**–**	(6)	**–**	(6)
Provision of loan made to Seville joint venture		**2,622**	–	**–**	–
Finance income		**(730)**	(452)	**(581)**	(148)
Finance costs		**1,131**	906	**–**	–
Net change in fair value of financial instruments through profit or loss	19	**21**	304	**–**	–
Dividend income and interest classified as investing cash flows		**–**	–	**–**	(9,521)
Dividends received from joint venture	16	**(67)**	(93)	**–**	–
Operating cash generated from before changes in working capital		**9,177**	11,480	**2,072**	1,950
(Increase)/decrease in trade and other receivables		**(290)**	6,308	**(228)**	1,078
(Decrease)/increase in trade and other payables		**(2,093)**	3,909	**(26)**	168
Cash generated from operations		**6,794**	21,697	**1,818**	3,196
Finance costs paid		**(1,153)**	(1,027)	**–**	–
Finance income received		**283**	452	**944**	8
Tax paid		**(984)**	(3,092)	**–**	(743)
Net cash generated from operating activities		**4,940**	18,030	**2,762**	2,461
Investing activities					
Acquisition of investment property		**–**	(18,281)	**–**	–
Additions to investment property	14	**(1,970)**	(1,513)	**–**	–
(Investment)/Divestment in subsidiaries	15	**–**	–	**(10)**	9,713
Loans to subsidiary companies		**–**	–	**–**	(5,500)
Loan repayment from subsidiary company		**–**	–	**5,844**	–
Investment in joint venture	16	**–**	950	**–**	–
Dividends received from joint venture	16	**–**	93	**–**	–
Net cash (used in)/generated from investing activities		**(1,970)**	(18,751)	**5,834**	4,213
Financing activities					
Proceeds from borrowings	22	**7,700**	8,600	**–**	–
Interest rate cap purchased	19	**(25)**	(133)	**–**	–
Dividends paid	13	**(8,659)**	(7,422)	**(8,659)**	(7,422)
Net cash (used in)/generated from financing activities		**(984)**	1,045	**(8,659)**	(7,422)
Net increase/(decrease) in cash and cash equivalents for the year		**1,986**	324	**(63)**	(748)
Opening cash and cash equivalents		**16,053**	15,738	**4,035**	4,792
Effects of exchange rate change on cash		**(4)**	(9)	**(4)**	(9)
Closing cash and cash equivalents	20	**18,035**	16,053	**3,968**	4,035

The accompanying notes 1 to 32 form an integral part of the financial statements.

Notes to the Financial Statements

1. Significant accounting policies

Schroder European Real Estate Investment Trust plc (the 'Company') is a closed-ended investment company incorporated in the United Kingdom. The consolidated financial statements of the Company for the year ended 30 September 2020 comprise those of the Company and its subsidiaries (together referred to as the 'Group'). The Group holds a portfolio of investment properties in Continental Europe. The shares of the Company are listed on the London Stock Exchange (primary listing) and JSE Limited (secondary listing). The registered office of the Company is 1 London Wall Place, London, England EC2Y 5AU.

Statement of compliance

The consolidated financial statements of the Group have been prepared 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 outbreak of Covid-19, declared by the World Health Organisation as a 'Global Pandemic' on 11 March 2020, has and continues to impact many aspects of daily life and the global economy, with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel restrictions have been implemented by many countries and 'lockdowns' applied to varying degrees. Whilst restrictions have now been lifted in some cases, local lockdowns may continue to be deployed as necessary and the emergence of significant further outbreaks is possible. During the year, the valuers had included a material valuation uncertainty clause within their valuation reports. As at the year-end date, this material valuation uncertainty clause has been removed from all assets except for the Metromar shopping centre held in the Seville joint venture.

The Directors have examined significant areas or possible risk including: the ability to successfully implement business continuity plans of both the Company and its key suppliers during the pandemic; the non-collection of rent and service charges, potential falls in valuations, the refurbishment of Boulogne-Billancourt, the review of cash flow forecasts and have analysed forward-looking compliance with third party debt covenants, in particular the loan to value covenant and interest cover ratios.

Despite the ongoing pandemic, for the six-month period 1 April 2020 to 30 September 2020, the portfolio rent collection was 85%, increasing to 88% in October 2020. Further details are provided under 'Covid-19 impact' in the Investment Manager's Review on page 14. Rent collection is being closely monitored by the Investment Manager.

Cash flow forecasts based on severe but plausible downside scenarios have led the Board to conclude that the Group will have sufficient cash reserves to continue in operation for the foreseeable future.

The Company has seven loans secured by individual assets or groups of assets with no cross-collateralisation. All loans are in compliance with their default covenants, though there is a cash trap in operation for the external loan in the Seville joint venture. More detail of the individual loans and headroom on the loan to value and net income default covenants is provided in the Investment Manager's report on page 20.

After due consideration, the Directors have not identified any material uncertainties which would cast significant doubt on the Group's ability to continue as a going concern for a period of not less than 12 months from the date of the approval of the consolidated and company financial statements.

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 14, including those within joint ventures, which are stated at fair value. The fair value of investment property is inherently subjective because the valuer makes assumptions which may not prove to be accurate. The Group uses an external professional valuer to determine the relevant amounts.

Notes to the Financial Statements continued

1. Significant accounting policies continued
Another key estimate is the impairment of intercompany loans and loan to joint venture under the IFRS 9 expected credit loss model.

The Group assesses the impairment on a forward-looking basis. In determining the expected credit loss, the Group considers: the 'probability of default' which is the likelihood that the borrower would not be able to repay in a very short payment period and this forms the basis of the credit risk rating; the 'loss given default' which is the loss that occurs if the borrower is unable to repay in that very short payment period; and the 'exposure at default' which is the outstanding balance at the reporting date. Judgement is then used to assess the credit risk rating of the joint venture loan which are stated below.

The following are key areas of judgement:
- 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 uses the most appropriate accounting treatment for each transaction and seeks independent advice where necessary. See note 17 for further details on assets held for sale.
- Tax provisioning and disclosure: Management uses external tax advisers to monitor change in tax laws in countries where the Group has operations. New tax laws that have been substantively enacted are recognised in the Group's financial statements. Where changes to tax laws give rise to a contingent liability the Group discloses these appropriately within the notes to the financial statements.
- IFRS 9 expected credit loss: IFRS 9 became effective for accounting periods of entities beginning on or after 1 January 2018 and requires an impairment review to be made for certain financial assets held on a Group's balance sheet using a forward-looking expected credit loss model. All inter-company and joint venture loans are considered to be such financial assets and must therefore be assessed at each reporting period for potential impairment. Where any impairment is required to be made, appropriate recognition is required in the Consolidated and Company Statements of Comprehensive Income together with appropriate disclosure and sensitivity analysis in the notes to the financial statements (see note 7).

  The following factors were considered when determining the impairment provision made to the Seville joint venture loan: the third party property valuation; the net asset value of the joint venture; the cash balance held by the JV to settle unpaid interest; the local lockdown measures in Spain during the pandemic; the rent collections and concessions granted to tenants; the debt covenants and headroom thereof; key leasing activity and cash flow forecasts. An evaluation of these factors allows management to make a judgement on the default credit rating which is considered to be the key input for the impairment calculation.

Basis of consolidation
Subsidiaries
The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries drawn up to 30 September each year. Subsidiaries are those entities, including special purpose entities, controlled by the Company. Control exists when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Where properties are acquired by the Group through corporate acquisitions, but the acquisition does not meet the definition of a business combination, the acquisition is treated as an asset acquisition.

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

Joint arrangements
Under IFRS 11, Joint Arrangements, the Group's investments in joint arrangements are classified as joint ventures. Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost, in the consolidated statement of financial position.

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

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

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

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

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

1. Significant accounting policies continued

As disclosed in note 27, the Group leases out all owned properties on operating leases which are classified and accounted for as an investment property where the Group holds it to earn rentals, capital appreciation, or both. Any such property leased under an operating lease is classified as an investment property and carried at fair value.

Please refer to note 14 for disclosure of key inputs, assumptions and sensitivities with respect to the fair valuation of investment properties.

Prepayments

Prepayments are carried at cost less any accumulated impairment losses.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Rental income, including prepayments, received under operating leases (net of any incentives granted by the lessor) are recognised in the statement of comprehensive income on a straight-line basis over the period of the lease. Properties leased out under operating leases are included as investment properties in the consolidated statement of financial position (note 14).

Financial assets and liabilities

Non-derivative financial assets and liabilities

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

Cash and cash equivalents

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

Loans and borrowings

Borrowings are recognised initially at 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. During the year ended 30 September 2020, the Company changed its accounting policy from retranslating its share capital using the closing exchange rate at the end of each reporting period to fixing the share capital at the spot rate at the date of issue, in accordance with IAS 21. The Company will no longer retranslate its share capital. This is a change in accounting policy for the Company.

Share premium

Share premium represents the excess of proceeds received over the nominal value of new shares issued. During the year ended 30 September 2020, the Company changed its accounting policy from retranslating its share premium using the closing exchange rate at the end of each reporting period to fixing the share capital at the spot rate at the date of issue, in accordance with IAS 21. The Company will no longer retranslate its share premium. This is a change in accounting policy for the Company.

Other reserves

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

Dividends

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

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.

Notes to the Financial Statements continued

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

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

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

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

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

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

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

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

Expenses
All expenses are accounted for on an accruals basis. They are recognised in the statement of comprehensive income in the year in which they are incurred on an accruals basis.

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

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

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.

1. Significant accounting policies continued

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 2019, 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 2019:

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.

The Group adopted IFRS 16 Leases on 1 October 2019. The Group has historically reported its service charge income separately from its rental income, as such there has been no material impact to the Group's net income or on the Group's balance sheet.

New standards and interpretations not yet 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.

3. Rental and service charge income

	Group 30/09/2020 €'000	Group 30/09/2019 €'000	**Company 30/09/2020 €'000**	Company 30/09/2019 €'000
Rental income	**15,264**	14,691	**–**	–
Service charge income	**3,971**	3,976	**–**	–
	19,235	18,667	**–**	–

4. Other income

There was no other income received during the year. Other income of €1.5 million received in the prior year relates to a lease surrender premium agreement pursuant to the Group's Hamburg office asset in Germany.

5. Property operating expenses

	Group 30/09/2020 €'000	Group 30/09/2019 €'000	**Company 30/09/2020 €'000**	Company 30/09/2019 €'000
Repairs and maintenance	**2,005**	2,119	**–**	–
Service charge, insurance and utilities on vacant units	**1,437**	498	**–**	–
Real estate taxes	**1,704**	1,589	**–**	–
Property management fees	**305**	227	**–**	–
Other	**239**	374	**–**	–
	5,690	4,807	**–**	–

All the above amounts relate to service charge expenses which are all recoverable except for €1,719,000 (2019: €831,000).

Notes to the Financial Statements continued

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 12th of the aggregate of 1.1% of the EPRA NAV of the Group. The Investment Management Agreement can be terminated by either party on not less than 12 months' written notice, such notice not to expire earlier than the third anniversary of Admission, or on immediate notice in the event of certain breaches of its terms or the insolvency of either party. The total charge to profit and loss during the year was €1,945,000 (2019: €1,904,000). At the year end €332,000 (2019: €140,000) was outstanding.

SREIM provides accounting services to the Group with a minimum contracted annual charge of €77,000 (£70,000). The total charge to the Group was €103,000 (2019: €99,000). At the year end €25,000 (2019: €8,000) was outstanding.

SREIM provides administrative and company secretarial services to the Group with a contracted annual charge of €55,000 (£50,000). The total charge to the Group was €57,000 (2019: €57,000). At the year end €14,000 (2019: €5,000) was outstanding.

Details of Directors' fees are disclosed in note 10.

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

The Company received management fees of €1,458,000 (2019: €1,429,000) from subsidiary companies during the year. The amounts recharged to subsidiaries and outstanding are provided in the following table.

	Fees recharged in the year to 30 September €'000		Fees outstanding as at 30 September €'000	
Subsidiary	**2020**	2019	**2020**	2019
SCI SEREIT Rumilly	**57**	59	**29**	14
SCI 221 Jean Jaures	**287**	281	**151**	69
SEREIT Berlin DIY Sàrl	**178**	181	**43**	45
SEREIT Hamburg Sàrl	**114**	111	**57**	55
SEREIT Stuttgart Sàrl	**115**	112	**28**	28
SEREIT Frankfurt Sàrl	**73**	78	**17**	19
SCI SEREIT Directoire	**258**	245	**127**	63
SEREIT Apeldoorn Sàrl	**126**	135	**29**	33
SEREIT UV Sàrl	**135**	139	**32**	35
SCI SEREIT Pleudihen	**115**	88	**57**	88
Total	**1,458**	1,429	**570**	449

7. Provision of loan made to Seville joint venture

As at 30 September 2020, the Group had made an internal loan to the Seville joint venture of €10.0 million. This loan carries a fixed interest rate of 4.37% per annum payable quarterly and matures in April 2024.

During the financial year a cumulative impairment of €2,492,000 was made with regard to the loan made to the Seville joint venture. This comprised an unrealised impairment of €2,107,000 under the expected credit loss methodology required by IFRS 9 and a further €385,000 to reflect the current financial position of the joint venture. In addition, a cumulative provision of €130,000 was made against unpaid loan interest. The use of significant estimates and judgements in note 1 sets out the requirements of IFRS 9 in this regard and the key factors considered by management. A credit risk rating of "CCC" was considered most appropriate and this resulted in a c.21% impairment.

Management considered that a risk rating of one above on the credit risk scale would have resulted in a c.11% impairment provision and a credit risk rating of one below would have resulted in a c.31% impairment position. These percentages fall each year as the loan nears its maturity date. Management continues to monitor the position closely.

	Credit rating		
	B	**CCC**	CC
Credit default rate	10.5%	**21%**	31%
Loan & interest	10.6	**10.6**	10.6
Cumulative impairment	1.12	**2.23**	3.29

8. Auditors' remuneration

The Group's total audit fees for the year are €316,000 (2019: €306,000) which includes the Group audit and the individual statutory audits. The Company's total audit fees for the year were €277,000 (2019: €268,000) which only covers the Group audit.

The auditors did not perform any non-audit services for the Group during the year (2019: €nil). The interim review fee was €51,000 (2019: €50,000) which is an assurance related non-audit service and is included in the total Auditors' remuneration for the year.

9. Dividends received

During the year the Group received dividends of €67,000 (2019: €93,000) from its joint venture operation Urban SEREIT Holdings Spain S.L. (see note 16).

During the year the Company received dividends from its subsidiary undertakings. €580,000 (2019: €2,680,000) was received from SEREIT (Jersey) Limited, €1,650,000 (2019: €10,471,000) was received from SEREIT Holdings Sàrl, €1,478,000 (2019: nil) from OPPCI SEREIT France and €2,000 from SCI SEREIT Directoire.

10. Other expenses

	Group 30/09/2020 €'000	Group 30/09/2019 €'000	**Company 30/09/2020 €'000**	Company 30/09/2019 €'000
Directors' and officers' insurance premium	**10**	10	**10**	10
Bank charges	**79**	61	**8**	7
Regulatory costs	**75**	53	**50**	43
Marketing	**43**	58	**43**	58
Other expenses	**344**	1	**18**	23
	551	183	**129**	141

Directors are the only officers of the Company and there are no other key personnel. The Group has one employee, for further details see note 31. The Directors' annual remuneration for services to the Group was €125,637 (2019: €124,742), as set out in the Directors' Remuneration Report on pages 42 to 44. The total charge for Directors' fees was €139,000. (2019: €142,000), which included employer's National Insurance contributions.

11. Taxation

	30/09/2020 €'000	30/09/2019 €'000
Current tax charge	**522**	2,918
Deferred tax charge	**403**	609
Tax expense in year	**925**	3,527
Reconciliation of effective tax rate		
Profit before taxation	**29,327**	10,982
Effect of:		
Tax charge at weighted average corporation tax rate of 29.45% (2019: 16.19%)	**8,637**	1,778
Tax exempt income	**(9,274)**	(1,431)
Tax adjustment on net revaluation loss	**367**	100
Capital gains tax	**–**	1,254
Real estate transfer tax	**–**	743
Current year loss for which no deferred tax is recognised	**770**	290
Tax adjustment of share of joint venture (profit)/loss	**605**	819
Minimum Luxembourg tax charges	**34**	60
Withholding tax	**157**	(10)
Tax effect of property depreciation	**(237)**	52
Timing differences	**(236)**	–
Other permanent differences	**102**	(128)
Total tax expense in the year	**925**	3,527

Notes to the Financial Statements continued

11. Taxation continued

The effective tax rate is a weighted average of the applicable tax rates in the countries the Group has operations. A potential deferred tax asset of €770,000 (2019: €290,000) arose on tax losses which has not been provided for.

The prior year's 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 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. HM Revenue & Customs has opened an enquiry into these financing arrangements and correspondence is ongoing. However, the Group remains of the view that no tax provision is required in respect of this matter as it considers it more likely than not that no additional tax will be due.

12. 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.

	30/09/2020	30/09/2019
Net profit attributable to shareholders	**€28,402,000**	€7,455,000
Weighted average number of ordinary shares in issue	**133,734,686**	133,734,686
Basic earnings per share (cents per share)	**21.2**	5.6

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 2019 and 2020.

Headline earnings per share

The headline earnings and diluted headline earnings for the Group is 6.4 euro cents per share (2019: 7.9 euro cents per share) as detailed on page 79.

13. Dividends paid

Interim dividends of €8,659,000 (2019: €7,422,000) were paid to the shareholders of SEREIT Plc during the year as follows:

In respect of	**Ordinary shares**	**Rate (cents)**	**30/09/2020 €'000**
Interim dividend paid on 21 October 2019	**133,734,686**	**1.85**	**2,474**
Interim dividend paid on 27 January 2020	**133,734,686**	**1.85**	**2,474**
Interim dividend paid on 14 April 2020	**133,734,686**	**1.85**	**2,474**
Interim dividend paid on 31 July 2020	**133,734,686**	**0.925**	**1,237**
Total interim dividends paid			**8,659**

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

14. Investment property

Group	Freehold €'000
Fair value as at 1 October 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**
Additions	1,892
Net gain from fair value adjustment on investment property	25,505
	246,293
Transfer to non-current assets held for sale[1]	**(65,200)**
Fair value as at 30 September 2020	**181,093**

1 See note 17 for further details of the non-current asset held for sale.

In 2019 and 2020, the Group held one leasehold property. The value of the respective sectors held were as follows:

Sector	**2020 €'000**	2019 €'000
Industrial	**47,640**	47,450
Retail (including retail warehousing)	**38,900**	38,350
Offices	**159,753**	133,096
Total	**246,293**	218,896

The fair value of investment properties as determined by the valuer, and excluding the Boulogne-Billancourt asset held for sale, totals €182,100,000 (2019: €219,200,000). The fair value of investment properties disclosed above excludes tenant incentive of €1,007,000 (2019: €304,000).

The net valuation gain on investment property of €25,505,000 (2019: €3,530,000) consists of net property revaluation gains of €24,802,000 (2019: €3,528,000) and a movement of the above mentioned tenant incentive adjustment of €703,000 (2019: €2,000).

The outbreak of Covid-19, declared by the World Health Organisation as a 'Global Pandemic' on 11 March 2020, has and continues to impact many aspects of daily life and the global economy, with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel restrictions have been implemented by many countries and 'lockdowns' applied to varying degrees. Whilst restrictions have now been lifted in some cases, local lockdowns may continue to be deployed as necessary and the emergence of significant further outbreaks is possible. During the year the valuers had included a material valuation uncertainty clause within their valuation reports. The material valuation uncertainty clause highlighted significant estimation uncertainty regarding the valuation of investment property due to the Covid-19 pandemic. As at 30 September 2020, the material valuation uncertainty clause has been removed from the valuation report for all directly held assets in the Group's investment property balance but still applies to the Seville shopping centre held in the joint venture investment.

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.

Notes to the Financial Statements continued

14. Investment property continued
The Group's total valuation fees for the year are €41,000 (2019: €49,000). The fee payable to Knight Frank LLP is less than 5% of its total revenue in any year.

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

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

2020		Industrial	Retail (incl. retail warehouse)	Office	Total
Fair value (€'000)[1]		**47,700**	**81,500**	**160,700**	**289,900**
Area ('000 sqm)		**68.821**	**44.365**	**61.110**	**174.296**
Net passing rent € per sqm per annum	Range Weighted average[2]	**40.39–92.46** **48.61**	**65.28–141.26** **85.79**	**6.41–150.04** **77.39**	**6.41–150.04** **75.01**
Gross ERV € per sqm per annum	Range Weighted average[2]	**38.00–89.40** **48.98**	**101.58–180.25** **150.17**	**79.93–462.87** **285.23**	**38.00–462.87** **208.39**
Net initial yield[3] (%)	Range Weighted average[2]	**5.54–7.23** **6.26**	**3.30–5.24** **4.21**	**0.07–12.54** **3.67**	**0.07–12.54** **4.24**
Equivalent yield (%)	Range Weighted average[2]	**5.38–6.58** **6.08**	**5.15–7.45** **6.49**	**4.06–9.86** **6.04**	**4.06–9.86** **6.18**

1 This table includes the joint venture investment property valued at €42.6 million which is disclosed within the summarised information within note 16 as part of total assets.
2 Weighted by market value.
3 Yields based on rents receivable after deduction of head rents and non-recoverables.

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

1 This table includes the joint venture investment property valued at €47.0 million which is disclosed within the summarised information within note 16 as part of total assets.
2 Weighted by market value.
3 Yields based on rents receivable after deduction of head rents and non-recoverables.

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

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

14. Investment property continued

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

Estimated movement in fair value of investment properties at 30 September 2020	Industrial €'000	Retail €'000	Office €'000	Total €'000
Increase in ERV by 10%	3,050	6,450	14,050	23,550
Decrease in ERV by 10%	(3,050)	(7,000)	(14,500)	(24,550)
Increase in net initial yield by 0.5%	(5,050)	(9,200)	(22,700)	(36,950)
Decrease in net initial yield by 0.5%	2,200	4,000	15,000	21,200

15. Investment in subsidiaries

Company	2020 €'000	2019 €'000
Balance as at 1 October	128,180	125,998
Additions	10	2,182
Contribution in kind	(19,421)	–
Balance as at 30 September	108,769	128,180

During the year, SEREIT (Jersey) Limited repurchased €19,421,000 of its own shares from SEREIT Plc by way of a contribution in kind of intercompany loan receivables. These loans carry interest rates of between 2.34% and 9.80%.

The subsidiary companies listed below are those which were part of the Group as at 30 September 2020. 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
SAS Clarity Development	France	100%	8–10 rue Lamennais, 75008 Paris

Notes to the Financial Statements continued

16. Investment in joint venture

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

Group	2020 €'000	2019 €'000
Balance as at 1 October	**2,378**	6,697
Share premium repayment	–	(950)
Share of loss for the year	**(2,311)**	(3,276)
Dividends	**(67)**	(93)
Balance as at 30 September	–	2,378

Summarised joint venture financial information:	2020 €'000	2019 €'000
Total assets	**45,717**	50,078
Total liabilities	**(46,488)**	(45,322)
Net (liabilities)/assets	**(771)**	4,756
Net asset value attributable to the Group	–	2,378
Revenues for the year	**5,257**	5,359
Total comprehensive loss	**(4,622)**	(6,552)
Total comprehensive loss attributable to the Group	**(2,311)**	(3,276)

In 2019 and 2020, 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 €42.6 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 agreement for the lender to retain all excess rental 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 2019 and 2020, within total liabilities of the joint venture, there is also a loan amount of €10.0 million owed to the Group. The Group has partially impaired the loan receivable from the joint venture and further details are provided in note 7. 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.

Due to the spread of the Novel Coronavirus (Covid-19), the Group's valuer has included the following 'Material valuation uncertainty' clause with respect to the Seville shopping centre in its valuation report as at 30 September 2020:

The outbreak of the Novel Coronavirus (Covid-19), declared by the World Health Organization as a 'Global Pandemic' on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. In Europe, market activity is being impacted in all sectors.

As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to Covid-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Consequently, less certainty, and a higher degree of caution, should be attached to our valuation than would normally be the case. Given the unknown future impact that Covid-19 might have on the real estate market, we recommend that you keep the valuation of this portfolio under frequent review.

For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon. Rather, the phrase is used in order to be clear and transparent with all parties, in a professional manner that in the current extraordinary circumstances less certainty can be attached to the valuation than would otherwise be the case. The material uncertainty clause is to serve as a precaution and does not invalidate the valuation.

Sensitivity analysis with respect to the estimated movement in fair value of investment properties, including the Group's share of the joint venture investment property, at 30 September 2020, can be found in note 14.

17. Non-current assets held for sale

The Group have agreed a conditional pre-sale agreement in respect of the Boulogne-Billancourt asset in Paris for €104 million, on the basis of refurbishing the building to Grade A quality at an estimated cost of €30 million. Management are confident of the conditions stipulated in the pre-sale agreement being met and as a result the sale is assessed to be highly probable. The sale has been approved by the Board and planning permission has been obtained to carry out the refurbishment work and is planned to complete in H1 2022. The refurbishment and sale follows the agreement of a new 10-year pre-let contract with existing tenant Alten in June this year.

The final sale proceeds will be subject to development and delivery conditions stated in the sale agreement which was not signed at year end.

When considering whether the Boulogne-Billancourt asset should be deemed as held for sale at year end the following key items were considered: the asset had been made available for sale and a conditional exchange of contracts had taken place by year end; the sale of the asset was deemed highly probable as by the year end; the Board and Investment Manager were fully committed to a plan to sell the asset; an active programme to locate a buyer had been initiated and completed; and an RNS had been agreed to be released to communicate the intention to the market and investors.

As investment property is carried at fair value, the measurement provisions of IFRS 5 do not apply. Instead, measurement of the asset is in line with the fair value model in IAS 40 Investment Property. The Boulogne-Billancourt asset was valued at €65,200,000 by Knight Frank LLP, the Group's valuer, as at 30 September 2020, and this has formed the basis of the fair value of the property. As the asset only is being sold, this has been separately disclosed in the Consolidated and Company Statements of Financial Position and there are no liabilities in relation to this non-current asset held for sale.

18. Trade and other receivables

	Group 2020 €'000	Group 2019 €'000	**Company 2020 €'000**	Company 2019 €'000
Rent and service charges receivable	**2,452**	2,771	**–**	–
Monies held by property managers	**157**	210	**–**	–
Amounts due from subsidiary undertakings[1]	**–**	–	**51,099**	37,662
VAT receivable	**(58)**	238	**–**	–
Rental and security deposits	**1,841**	2,049	**–**	–
Withholding tax receivable	**1,013**	414	**–**	–
Other debtors and prepayments	**1,562**	659	**38**	33
	6,967	6,341	**51,137**	37,695

1 Refer to note 15 for movement in amounts due from subsidiary undertakings.

Other debtors and prepayments includes tenant incentives of €1,007,000 (2019: €304,000). There were no provisions against the above amounts in 2020 (2019: Nil).

19. Interest rate derivative contracts

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 Group obtained a further €4.0 million from the existing loan facility on 24 October 2019 and purchased a second interest rate cap for €13,000. Both interest rate caps are 1.25% with a floating rate option being Euribor 3 months. As at 30 September 2020, the fair value of the interest rate caps was €13,000 (2019: €10,000), giving a valuation decrease as shown within the statement of comprehensive income of €10,000.

The Group has an interest rate cap in place which was 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 2020, the fair value of the interest rate cap was €2,000 (2019: €3,000), giving a valuation decrease as shown in the statement of comprehensive income of €1,000.

The Group has an interest rate cap in place which was 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 2020, the fair value of the interest rate cap was €4,000 (2019: €4,000), giving a valuation decrease as shown in the statement of comprehensive income of €nil.

On 25 November 2019, the Group entered into an interest rate cap which was purchased for €12,000 from Landesbank Saar in connection to a €3.7 million loan facility drawn from the same bank with a maturity date of 30 April 2023. The interest rate cap is 0.25% with a floating rate option being Euribor 3 months. As at 30 September 2020, the fair value of the interest rate cap was €2,000, giving a valuation decrease as shown in the statement of comprehensive income of €10,000.

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

Notes to the Financial Statements continued

20. Cash and cash equivalents

	Group 30/09/2020 €'000	Group 30/09/2019 €'000	Company 30/09/2020 €'000	Company 30/09/2019 €'000
Cash at bank and in hand	**18,035**	16,053	**3,968**	4,035

21. Share capital and share premium

	Group 30/09/2020 €'000	Group 30/09/2019 €'000	Company 30/09/2020 €'000	Company 30/09/2019 €'000
Ordinary share capital	**17,966**	15,080	**17,966**	15,080
Share premium	**43,005**	30,043	**43,005**	30,043

As at 30 September 2020, the share capital of the Company was represented by 133,734,686 ordinary shares (2019: 133,734,686 ordinary shares) with a par value of 10.00 pence.

As a result of changes in the Company's accounting policy as stated in the significant accounting policies note 1, prior year share capital, share premium and other reserves have been restated as shown in the Consolidated and Company Statements of Changes in Equity. There has been no impact on the opening retained earnings, net assets value and, Consolidated and Company Statements of Comprehensive Income as of 30 September 2020. An adjustment of €2,886,000 was made in the share capital account and €12,962,000 in the share premium account at the year-end to fully reverse previous retranslations.

The Company's shares to date have all been issued in Sterling and presenting the share capital and share premium at its historic exchange rate through one line, rather than splitting the unrealised foreign exchange retranslation into a separate component in equity will provide a clearer presentation of the share capital and share premium in the financial statements.

Issued share capital
As at 30 September 2020, the Company had 133,734,686 ordinary shares (2019: 133,734,686) in issue (no shares were held in treasury). The total number of voting rights of the Company at 30 September 2020 was 133,734,686 (2019: 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.

22. 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 25.

	Group 2020 €'000	Group 2019 €'000	Company 2020 €'000	Company 2019 €'000
As at 1 October	**60,692**	52,150	**–**	–
Receipt of borrowings	**7,700**	8,600	**–**	–
Capitalisation of finance costs	**(183)**	(181)	**–**	–
Amortisation of finance costs	**163**	123	**–**	–
As at 30 September	**68,372**	60,692	**–**	–

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

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

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

The lender has a charge over properties owned by the Group with a value of €19,050,000. A pledge of all shares in the borrowing Group company is in place.

22. Interest-bearing loans and borrowings continued

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

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

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

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

Of the total amount drawn, €14.0 million matures on 30 June 2023 and carries a fixed interest rate of 0.85% per annum payable quarterly; the remaining €16.5 million matures on 30 June 2026 and carries a fixed interest rate of 1.31% per annum. An additional fixed fee of 0.30% per annum was payable until certain conditions relating to the Frankfurt property were fulfilled on 30 December 2016. The facility was subject to a 0.35% arrangement fee which is being amortised over the period of the loan. The debt has a LTV covenant of 65% and the debt yield must be at least 8%.

The lender has a charge over property owned by the Group with a value of €74,500,000. 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 28 March 2024 and carries an interest rate of 1.40% plus Euribor 3 months per annum, payable quarterly. An additional 25bps is applied to the margin if the LTV is between 56% and 60%, or 50bps if the LTV is above 60%. The facility was subject to a €56,000 arrangement fee which is being amortised over the period of the loan. The debt has a LTV covenant of 64% and the interest cover should be above 220%. A pledge of all shares in the borrowing Group company is in place.

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

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

23. Trade and other payables

	Group 30/09/2020 €'000	Group 30/09/2019 €'000	**Company 30/09/2020 €'000**	Company 30/09/2019 €'000
Rent received in advance	**1,515**	1,247	**–**	–
Rental deposits	**1,844**	1,901	**–**	–
Interest payable	**56**	58	**–**	–
Retention payable	**2**	79	**–**	–
Accruals	**2,391**	2,209	**857**	883
Trade payables	**928**	3,473	**–**	–
	6,736	8,967	**857**	883

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 €332,000 (2019: €140,000) and property expenses of €997,000 (2019: €952,000).

Notes to the Financial Statements continued

24. Net asset value per ordinary share

The NAV per ordinary share of 150.9 euro cents per share (2019: 136.2 euro cents per share) is based on the net assets attributable to ordinary shareholders of the Group of €201,826,000 (2019: €182,087,000), and 133,734,686 ordinary shares in issue at 30 September 2020 (2019: 133,734,686 ordinary shares).

25. Financial instruments, properties and associated risks

Financial risk factors

The Group holds cash and liquid resources as well as having debtors and creditors that arise directly from its operations. The Group uses interest rate caps when required to limit exposure to interest rate risks, but does not have any other derivative instruments. The financial risk profile of the Group has been heightened due to the outbreak of the Covid-19 virus.

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.

The pandemic and the measures taken to tackle Covid-19 continue to affect economies and real estate markets globally as the uncertainty and low volume of market transactions have increased the inherent price risk. Nevertheless, as at the year end, some property markets have started to function again, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinions of market value.

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 30/09/2020 €'000**	Group 30/09/2019 €'000	**Company 30/09/2020 €'000**	Company 30/09/2019 €'000
Euros	**201,963**	182,312	**163,154**	169,252
Sterling	**(350)**	(505)	**(350)**	(505)
Rand	**213**	280	**213**	280
	201,826	182,087	**163,017**	169,027

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 Directors have considered the impact of Covid-19 on the recoverability of its assets. With regard to trade and other receivables, these were considered not to have been impaired due to Covid-19 at the balance sheet date since rent collection during the pandemic was above 85% and sufficient provisions were made against aged tenant receivables where these were doubtful. Management will continue to monitor the ability of the tenants to pay in future.

With regard to the loan to the Seville joint venture, the Directors have assessed this for an expected credit loss under IFRS 9 and, consequently, have recognised an impairment against the receivable, see note 7 for further details.

25. Financial instruments, properties and associated risks continued

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

In respect of credit risk arising from other financial assets, which comprise cash and cash equivalents and a loan to a joint venture, exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments. In order to mitigate such risks, cash is maintained with major international financial institutions with high quality credit ratings. Credit risk relating to the joint venture loan is actively managed and the Group has assessed this for impairment under IFRS 9 expected credit loss. Further details can be found in note 7.

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 30/09/2020**	**Group balance at 30/09/2020 €'000**	**Company balance at 30/09/2020 €'000**
HSBC Bank plc	**A+**	**479**	**56**
ING Bank N.V.	**A+**	**8,824**	**–**
BNP Paribas	**A+**	**2,236**	**–**
BRED Banque Populaire	**A+**	**45**	**–**
Santander	**A+**	**3,730**	**3,700**
Societe Generale SA	**A**	**802**	**–**
Commerzbank AG	**BBB+**	**1,707**	**–**
FirstRand Bank Limited	**BB–**	**212**	**212**
		18,035	**3,968**

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

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

	30/09/2020 Carrying amount €'000	30/09/2019 Carrying amount €'000
Office	**1,552**	2,315
Retail (including retail warehousing)	**312**	174
Industrial	**588**	282
	2,452	2,771

Notes to the Financial Statements continued

25. 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:

	30/09/2020 Carrying amount €'000	30/09/2019 Carrying amount €'000
0–30 days	**2,452**	2,771
31–60 days	**–**	–
61–90 days	**–**	–
91 days plus	**–**	–
	2,452	2,771

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 2020	**Carrying amount €'000**	**Expected cash flows €'000**	**6 months or less €'000**	**6 months to 2 years €'000**	**2–5 years €'000**	**More than 5 years €'000**
Financial liabilities						
Interest-bearing loans and borrowings and interest	**69,050**	**72,692**	**460**	**1,387**	**54,183**	**16,662**
Trade and other payables	**6,680**	**6,680**	**6,680**	**–**	**–**	**–**
Total financial liabilities	**75,730**	**79,372**	**7,140**	**1,387**	**54,183**	**16,662**

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

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 2020, the fair value of the Group's loans was €69.1 million, which was equal to the carrying amount (2019: fair value and carrying amount €61.4 million).

A 1% increase or decrease in short-term interest rates would decrease or increase the annual income and equity by €0.2 million (2019: €0.1 million) based on the net of cash and variable debt balances as at 30 September 2020.

25. 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 (2019: 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 14 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 2020, 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 19 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:

	30/09/2020 €'000	30/09/2019 €'000
Debt		
Loan facilities	**68,428**	60,750
Equity		
Called-up share capital and share premium	**60,971**	45,123
Retained earnings and other reserves	**140,855**	136,964
Total equity	**201,826**	182,087
Total debt and equity	**270,254**	242,837

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

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

There were no realised currency gains for the financial year (2019: €6,000).

An unrealised currency loss of €4,000 (2019: €15,000 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.

27. Operating leases
The Group leases out its investment property under operating leases. At 30 September 2020, the future minimum lease receipts under non-cancellable leases are as follows:

The Group as a lessor	30/09/2020 €'000	30/09/2019 €'000
Less than one year	**15,953**	12,013
Between one and five years	**46,075**	47,684
More than five years	**19,472**	43,602
	81,500	103,299

The total above comprises the total contracted rent receivable as at 30 September 2020.

28. Related party transactions
Material agreements are disclosed in note 6 and Directors' emoluments are disclosed in note 10. Loans to related parties is disclosed in the Consolidated and Company Statements of Financial Position and other amounts due from related parties are disclosed in note 18.

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

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

Interest receivable from the joint venture was impaired during the year, refer to note 7 for further details.

	30/09/2020 €'000	30/09/2019 €'000
Interest received from Urban SEREIT Holdings Spain S.L.	**–**	333

29. Contingent liability
There are no contingent liabilities other than that disclosed in note 11.

30. Capital commitments
At 30 September 2020 the Group had capital commitments of €360,000 (2019: €2,031,000).

31. Employees
The Group has one employee who is appointed by the French branch of the Company. The total charge for the employee was €25,000.

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

EPRA and Headline Performance Measures (Unaudited)

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

EPRA performance measures: summary table

	30/09/2020 Total €'000	30/09/2019 Total €'000
EPRA earnings	**8,589**	10,547
EPRA earnings per share	**6.4**	7.9
EPRA NAV	**206,457**	183,725
EPRA NAV per share	**154.4**	137.4
EPRA NNNAV	**206,457**	183,725
EPRA NNNAV per share	**154.4**	137.4
EPRA net initial yield	**5.7%**	6.2%
EPRA topped-up net initial yield	**5.8%**	6.3%
EPRA vacancy rate	**4.0%**	6.0%

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.

	30/09/2020 €'000	30/09/2019 €'000
Total IFRS comprehensive income	**28,398**	7,440
Adjustments to calculate EPRA earnings:		
Net gain from fair value adjustment on investment property	**(25,505)**	(3,530)
Exchange differences on monetary items (unrealised)	**4**	15
Share of joint venture loss/(gain) on investment property	**2,776**	3,713
Deferred tax	**403**	609
Current tax – restructuring	**–**	1,997
Net change in fair value of financial instruments	**21**	304
Adjustment in respect of provision of internal loan made to Seville joint venture (excluding interest)	**2,492**	–
EPRA earnings	**8,589**	10,548
Weighted average number of ordinary shares	**133,734,686**	133,734,686
EPRA earnings per share (cents per share)	**6.4**	7.9
IFRS earnings per share (cents per share)	**21.2**	5.6

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.

	30/09/2020 €'000	30/09/2019 €'000
IFRS Group NAV per financial statements	**201,826**	182,087
Deferred tax	**1,924**	1,521
Adjustment for fair value of financial instruments	**(20)**	(17)
Adjustments in respect of joint venture deferred tax	**105**	134
Adjustment in respect of provision of internal loan made to Seville joint venture	**2,622**	–
EPRA NAV	**206,457**	183,725
Shares in issue at end of year	**133,734,686**	133,734,686
EPRA NAV per share (cents per share)	**154.4**	137.4
IFRS Group NAV per share (cents per share)	**150.9**	136.2

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.

	30/09/2020 €'000	30/09/2019 €'000
EPRA NAV	**206,457**	183,725
Adjustments to calculate EPRA NNNAV:		
Fair value of debt adjustment	**–**	–
EPRA NNNAV	**206,457**	183,725
EPRA NNNAV per share (cents per share)	**154.4**	137.4

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.

	30/09/2020 €'000	30/09/2019 €'000
Investment property – share of subsidiaries	**247,300**	219,200
Investment property – share of joint ventures and funds	**21,300**	23,500
Complete property portfolio	**268,600**	242,700
Allowance for estimated purchasers' costs	**18,802**	16,989
Grossed-up completed property portfolio valuation	**287,402**	259,689
Annualised cash passing rental income	**17,200**	16,850
Property outgoings	**(800)**	(800)
Net annualised rent	**16,400**	16,050
Notional rent expiration of rent free periods	**200**	200
Topped-up net annualised rent	**16,600**	16,250
EPRA NIY	**5.7%**	6.2%
EPRA 'topped-up' NIY	**5.8%**	6.3%

e. Headline earnings reconciliation

	30/09/2020 €'000	30/09/2019 €'000
Total comprehensive profit	**28,398**	7,440
Adjustments to calculate Headline Earnings exclude:		
Net valuation profit on investment property	**(25,505)**	(3,530)
Share of joint venture loss/(gain) on investment property	**2,776**	3,713
Deferred tax	**403**	609
Current tax – restructuring	**–**	1,997
Net change in fair value of financial instruments	**21**	304
Adjustment in respect of provision of internal loan made to Seville joint venture (excluding interest)	**2,492**	–
Headline earnings	**8,585**	10,533
Weighted average number of ordinary shares	**133,734,686**	133,734,686
Headline earnings and diluted headline earnings per share (cents per share)	**6.4**	7.9

Headline earnings per share reflect the underlying performance of the Company calculated in accordance with JSE Limited's 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 1 April 2019 – 31 March 2020, presented with comparison against 2018/19. As permitted by the EPRA Sustainability Reporting Guidelines, environmental data has been developed and presented in line with the Global Real Estate Sustainability Benchmark ('GRESB').

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

In 2019/20, out of the total 13 assets held by the Company at 31 March 2020, six were within the operational control reporting boundary of the Company (i.e. 'managed'). In 2018/19, there were also six such managed assets within the portfolio.

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

The Company at 31 March 2020 had one part-time direct employee and is served by the employees of Schroder Real Estate Investment Management Limited ('SREIM') as Investment Manager to the Company. Accordingly, the EPRA Overarching Recommendation for companies to report on the environmental impact of their own offices is not relevant/material and not presented in this report. This report has been prepared by energy and sustainability consultants, EVORA Global. The Sustainability Performance Measures have been assured in accordance with AA1000 to provide a Type 2 Moderate Assurance unqualified audit of the sustainability content located on pages 80 to 92 of the SEREIT Annual Report for the year ending 30 September 2020. The full Assurance Statement can be found at the following link: https://www.schroders.com/en/sysglobalassets/investment-trusts/sereit/sereit-epra-assurance-statement_fv3_1602587_v1.pdf.

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

	Total electricity consumption (kWh)		Total fuel consumption (kWh)		Total district heating consumption (kWh)		Energy intensity (kWh/m²)	
Sector	2018/19	**2019/20**	2018/19	**2019/20**	2018/19	**2019/20**	2018/19	**2019/20**
Office: Corporate: High-Rise Office	1,596,424	**1,507,795**	1,736,385	**1,591,497**	0	**0**	211	**196**
Coverage		**1/1**		**1/1**				**1/1**
Office: Corporate: Mid-Rise Office	812,155	**548,776**	0	**0**	485,927	**372,514**	101	**72**
Coverage		**2/2**				**2/2**		**2/2**
Retail Centres: Warehouse	74,053	**73,905**	284,941	**274,784**	0	**0**	79	**77**
Coverage		**1/1**		**1/1**				**1/1**
Retail Centres: Shopping Centre	1,018,820	**1,103,784**	0	**0**	0	**0**	261	**283**
Coverage		**1/1**						**1/1**
Industrial: Industrial Park	1,247	**3,150**	50,659	**101,763**	0	**0**	19	**38**
Coverage		**1/1**		**1/1**				**1/1**
Sub-total	3,502,699	**3,237,410**	2,071,985	**1,968,044**	485,927	**372,514**		
Coverage		**6/6**		**3/3**		**2/2**		
Total (electricity, fuel and district heating)	6,060,611	**5,577,968**						
Coverage		**6/6**						
Renewable energy %	25%	**19%**	14%	**14%**	0%	**0%**		
Coverage		**6/6**		**3/3**		**2/2**		

Consumption data relates to the managed portfolio only:
- Office: Corporate: High-Rise Office: Common parts, shared services and/or tenant space, where procured by the landlord
- Office: Corporate: Mid-Rise Office: Whole building, common parts, shared services and/or tenant space, where procured by the landlord
- Retail Centres: Warehouse: Whole building, common parts and shared services
- Retail Centres: Shopping Centre: Common parts
- Industrial: Industrial Park: Whole building

Percentage of data estimated across both 2018/19 and 2019/20 reporting period: electricity 6%, gas 11%, district heating 0.6%.

Renewable energy (%) is calculated according to the attributes of energy supply contracts as at 31 March 2020.

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.

Intensity: An intensity measure is reported. Numerators/denominators are aligned as follows:
– Retail Centres: Shopping Centre: Common areas energy consumption (kWh) divided by common parts area (CPA m²)
– All other sectors: Common areas, shared services and/or whole building energy consumption (kWh) divided by net lettable area (NLA m²)

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

Where appropriate (for relevant assets), consumption data and asset NLA has been adjusted to reflect the Company's share of ownership.

Like-for-like energy consumption (Elec-LfL; DH&C-LfL; Fuels-LfL; Energy-Int)
The table below sets out the like-for-like landlord obtained energy consumption from the Company's managed portfolio by sector.

	Total electricity consumption (kWh)			Total fuel consumption (kWh)			Total district heating consumption (kWh)			Energy intensity (kWh/m²)	
Sector	2018/19	**2019/20**	Change	2018/19	**2019/20**	Change	2018/19	**2019/20**	Change	2018/19	**2019/20**
Office: Corporate: High-Rise Office	1,596,424	**1,507,795**	**-6%**	1,736,385	**1,591,497**	**-8%**	0	**0**		211	**196**
Coverage		**1/1**			**1/1**						**1/1**
Office: Corporate: Mid-Rise Office	812,155	**548,776**	**-32%**	0	**0**		485,927	**372,514**	**-23%**	101	**72**
Coverage		**2/2**						**2/2**			**2/2**
Retail Centres: Warehouse	74,053	**73,905**	**-0.2%**	284,941	**274,784**	**-3.6%**	0	**0**		79	**77**
Coverage		**1/1**			**1/1**						**1/1**
Retail Centres: Shopping Centre	1,018,820	**1,103,784**	**8%**	0	**0**		0	**0**		261	**283**
Coverage		**1/1**									**1/1**
Sub-total	3,501,452	**3,234,260**	**-7.6%**	2,021,326	**1,866,281**	**-7.7%**	485,927	**372,514**	**-23%**		
Coverage		**5/5**			**2/2**			**2/2**			
Total (electricity, fuel and district heating)	6,008,705	**5,473,055**	**-9%**								
Coverage		**5/5**									
Renewable energy %	25%	**19%**		14%	**15%**		0%	**0%**			
Coverage		**5/5**			**2/2**			**2/2**			

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

Consumption data relates to the managed portfolio only:
– Office: Corporate: High-Rise Office: Common parts, shared services and/or tenant space, where procured by the landlord
– Office: Corporate: Mid-Rise Office: Whole building, common parts, shared services and/or tenant space, where procured by the landlord
– Retail Centres: Warehouse: Whole building, common parts and shared services
– Retail Centres: Shopping Centre: Common parts

Percentage of data estimated across both 2018/19 and 2019/20 reporting period: electricity 6%, gas 11%, district heating 0.6%.

Renewable energy (%) is calculated according to the attributes of energy supply contracts as at 31 March 2020.

Sustainability Performance Measures (Environmental) (unaudited) continued

Intensity: An intensity measure is reported. Numerators/denominators are aligned as follows:
- Retail Centres: Shopping Centre: Common areas energy consumption (kWh) divided by common parts area (CPA m²)
- All other sectors: Common areas, shared service and/or whole building energy consumption (kWh) divided by net lettable area (NLA m²)

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

Where appropriate (for relevant assets), consumption data and asset NLA has been adjusted to reflect the Company's share of ownership.

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

	Absolute emissions (tCO_2e)		Absolute intensity (tCO_2e)		Like-for-like emissions (tCO_2e)			Like-for-like intensity (kg CO_2e/m^2)	
Sector	2018/19	**2019/20**	2018/19	**2019/20**	2018/19	**2019/20**	Change	2018/19	**2019/20**
Office: Corporate: High-Rise Office									
Scope 1	417	**382**	33	**31**	417	**382**	-8%	33	**31**
Scope 2	97	**104**			97	**104**	7%		
Coverage		**1/1**				**1/1**			**1/1**
Office: Corporate: Mid-Rise Office									
Scope 1	0	**0**	38	**25**	0	**0**	0%	38	**25**
Scope 2	485	**322**			485	**322**	-34%		
Coverage						**2/2**			**2/2**
Retail Centres: Warehouse									
Scope 1	68	**66**	22	**21**	68	**66**	-3%	22	**21**
Scope 2	33	**31**			33	**31**	-7%		
Coverage						**1/1**			**1/1**
Retail Centres: Shopping Centre									
Scope 1	0	**0**	65	**82**	0	**0**	0%	65	**82**
Scope 2	252	**320**			252	**320**	27%		
Coverage		**1/1**				**1/1**			**1/1**
Industrial: Industrial Park									
Scope 1	12	**24**	5	**9**					
Scope 2	1	**1**							
Coverage		**1/1**							
Total Scope 1	497.3	**472.3**			485.1	**447.9**	-8%		
Total Scope 2	867.6	**778.5**			867.1	**777.1**	-10%		
Total Scope 1 and 2	1364.9	**1250.8**			1352.2	**1225.0**	-9%		
Coverage		**6/6**				**5/5**			

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

The following greenhouse gas emissions conversion factors have been applied:

Country	Electricity	Gas	District heating
France	CO_2 Emissions from Fuel Combustion, International Energy Agency (2019).	JRC Technical Reports. Covenant of Mayors for Climate and Energy: Default emission factors for local emission inventories (2017).	No landlord procured district heating supplied.
Germany			Process Data set: District heating mix, ÖKOBAUDAT, Federal Ministry of the Interior, Building and Community, Germany (2018).
Netherlands			No landlord procured district heating supplied.
Spain		No landlord procured gas supplied.	No landlord procured district heating supplied.

– 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 GHG emissions conversion factors allow.

Emissions data relates to the managed portfolio only:
– Office: Corporate: High-Rise Office: Common parts, shared services and/or tenant space, where procured by the landlord
– Office: Corporate: Mid-Rise Office: Whole building, common parts, shared services and/or tenant space, where procured by the landlord
– Retail Centres: Warehouse: Whole building, common parts and shared services
– Retail Centres: Shopping Centre: Common parts
– Industrial: Industrial Park: Whole building
– GHG emissions associated with electricity consumed directly by tenants is not reported

Absolute and like-for-like emissions estimated across both 2018/19 and 2019/20 reporting period: Scope 1 emissions 11% and Scope 2 emissions 2.64%.

Intensity: An intensity measure is reported. Numerators/denominators are aligned as follows:
– Retail Centres: Shopping Centre: Common areas energy-related emissions ($kgCO_2e$) divided by common parts area (CPA m^2)
– All other sectors: Common areas, shared service and/or whole building 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.

Where appropriate (for relevant assets), consumption data and asset NLA has been adjusted to reflect the Company's share of ownership.

Sustainability Performance Measures (Environmental) (unaudited) continued

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)		Absolute intensity (m^3/m^2)		Like-for-like mains water consumption (m^3)			Like-for-like intensity (m^3/m^2)	
Sector	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	Change	2018/19	2019/20
Office: Corporate: High-Rise Office	28,816	**18,371**	1.82	**1.16**	28,816	**18,371**	-36%[1]	1.82	**1.16**
Coverage		**1/1**				**1/1**			**1/1**
Office: Corporate: Mid-Rise Office	1,652	**1,752**	0.13	**0.14**	1,652	**1,752**	6%	0.13	**0.14**
Coverage		**2/2**				**2/2**			**2/2**
Retail, Warehouse	383	**428**	0.08	**0.09**	383	**428**	12%	0.08	**0.09**
Coverage		**1/1**				**1/1**			**1/1**
Retail Centres: Shopping Centre	7,853	**7,678**	0.67	**0.66**	7,853	**7,678**	-2%	0.67	**0.66**
Coverage		**1/1**				**1/1**			**1/1**
Industrial: Industrial Park	82	**136**	0.03	**0.05**					
Coverage		**1/1**							
Total	38,786	**28,365**			38,704	**28,229**	-27%		
Coverage		**6/6**				**5/5**			

1 The Office Corporate High Rise Office reduction is driven by one asset (Paris Saint-Cloud) where significant improvements have been made to the operation of air conditioning equipment.

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

Consumption data relates to the managed portfolio only:
- Office: Corporate: High-Rise Office: Whole building
- Office: Corporate: Mid-Rise Office: Whole building
- Retail Centres: Warehouse: Whole building
- Retail Centres: Shopping Centre: Whole building
- Industrial: Industrial Park: Whole building

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

Absolute and like-for-like percentage of water data estimated across both 2018/19 and 2019/20 reporting period: 8%.

Intensity: An intensity measure is reported. 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.

Where appropriate (for relevant assets), consumption data and asset NLA has been adjusted to reflect the Company's share of ownership.

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				
		2018/19		**2019/20**		2018/19		**2019/20**		%
		Tonnes	%	**Tonnes**	**%**	Tonnes	%	**Tonnes**	**%**	change
Office: Corporate: Mid-Rise Office	Recycled	15.0	25.0	**18.1**	**30.1**	15.0	25.0	**18.1**	**30.1**	20.8%
	Composting	2.1	3.4	**2.0**	**3.3**	2.1	3.4	**2.0**	**3.3**	-2.9%
	Incineration with energy recovery	42.8	71.6	**40.0**	**66.6**	42.8	71.6	**40.0**	**66.6**	-6.7%
	Landfill	0.0	0	**0.0**	**0**	0.0	0	**0.0**	**0**	0.0%
	Total	59.9	100.0	**60.1**	**100.0**	59.9	100.0	**60.1**	**100.0**	0.3%
	Coverage		2/2		**2/2**		2/2		**2/2**	
Retail Centres: Warehouse	Recycled	0.0	0	**0.0**	**0**	0.0	0	**0.0**	**0**	0%
	Composting	0.0	0	**0.0**	**0**	0.0	0	**0.0**	**0**	0%
	Incineration with energy recovery	8.5	100.0	**8.5**	**100.0**	8.5	100.0	**8.5**	**100.0**	0.4%
	Landfill	0.0	0	**0.0**	**0**	0.0	0	**0.0**	**0**	0.0%
	Total	8.5	100.0	**8.5**	**100.0**	8.5	100.0	**8.5**	**100.0**	0.4%
	Coverage		1/1		**1/1**		1/1			1/1
Total	Recycled	15	22%	**18**	**26%**	15	22%	**18**	**26%**	20.8%
	Composting	2	3%	**2**	**3%**	2	3%	**2**	**3%**	-2.9%
	Incineration with energy recovery	51	75%	**48**	**71%**	51	75%	**48**	**71%**	-5.5%
	Landfill	0	0%	**0**	**0%**	0	0%	**0**	**0%**	0%
	Total	68	100%	**68**	**100%**	68	100%	**68**	**100%**	0.3%
	Coverage		3/3		**3/3**		3/3			3/3

Whilst zero waste is sent direct to landfill, a residual component of the 'recycled' and 'incineration with energy recovery' waste streams may end up in landfill.

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

Waste data relates to the managed portfolio only.

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.

Where appropriate (for relevant assets), consumption data and asset NLA has been adjusted to reflect the Company's share of ownership.

Sustainability Performance Measures (Environmental) (unaudited) continued

Sustainability certification: Green building certificates (Cert-Tot)

Rating	Portfolio by floor area (%)
Retail Centres, Shopping Centre (BREEAM In Use: Very Good/Excellent)	7.2%
Office: Corporate: Mid-Rise Office (BREEAM In Use: Good)	4.3%
All other sectors	0%
Coverage	**100%**

Green building certificate records for the Company are provided as at 31 March 2020 by portfolio floor area.

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

Where appropriate (for relevant assets), consumption data and asset NLA 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+	9.4%
A	7.3%
B	21%
C	4.6%
D	25%
E	7.8%
F	0%
G	10.3%
H	0%
I	4.2%
No EPC	10.4%
Coverage	**100%**

Energy Performance Certificate records for the Company are provided for the portfolio as at 31 March 2020 by portfolio floor area.

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

German EPCs do not have a letter rating system used in certification, rather they are given an energy intensity measure and a comparable benchmark figure. An in-house conversion process has been applied to these outputs to give an indicative A-G rating. With this approach it has been possible to plot all EPCs on the same scale and provide an indication of the Company's EPC distribution.

The French EPC rating system operates on a scale of A to I.

Where appropriate (for relevant assets), consumption data and asset NLA 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 one part-time direct employee at 31 March 2020 the relevant date for this reporting period. A number of these social performance measures relate to entity employees; however, as there is only one part-time direct employee these measures are not material 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 2019 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/annual-report/documents/Schroders_2019AnnualReport.pdf; and,
- https://www.schroders.com/en/people/diversity-and-inclusion/.

Board Gender Diversity (Diversity-Emp)
As at 31 March 2020 the Company Board comprised three members: 0 (0% female); 3 (100% male). Following year end, and additional non-executive director was appointed to the Board. As at the date of this report the Board comprised four members: 1 female (25%); 3 male (75%).

For further information on Schroders PLC employee gender diversity, covering more employee categories, please refer to Schroders 2019 Annual Report and Accounts (page 32):
https://www.schroders.com/en/sysglobalassets/annual-report/documents/Schroders_2019AnnualReport.pdf.

Gender pay ratio (Diversity-Pay)
The remuneration of the Company Board is set out on page 43 of this Annual Report and Accounts document.

Schroders PLC female representation and gender pay report can be found in Schroders 2019 Annual Report and Accounts (page 95):
https://www.schroders.com/en/sysglobalassets/annual-report/documents/Schroders_2019AnnualReport.pdf.

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 2019/20.

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 30):
https://www.schroders.com/en/sysglobalassets/annual-report/documents/Schroders_2019AnnualReport.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.

Sustainability Performance Measures (Social) continued

The following are reported in relation to the assets held in the Company's portfolio over the reporting period to 31 March 2020:

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

	Portfolio by floor area (%)	
	2018/19	**2019/20**
All sectors	100%	**100%**
Coverage	13/13	**13/13**

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)
The table below outlines the number of incidents of non-compliance with regulations/and or voluntary codes identified during the reporting period.

	Number of incidents	
	2018/19	**2019/20**
All sectors	0	**0**
Coverage	13/13	**13/13**

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

	Portfolio by number assets (%)	
	2018/19	**2019/20**
Retail Centres: Shopping Centre	13%	**13%**
Total	13%	**13%**
Coverage	13/13	**13/13**

Sustainability Performance Measures (Governance)

Composition of the highest governance body (Gov-Board)

The Board of the Company comprised 3 non-executive independent directors (nil executive board members) for the 12 months to 31 March 2020.

- The average tenure of the three directors to 30 September 2020 is 4 years and 10 months.
- The number of directors with competencies relating to environmental and social topics is 3/3 and their experience can be seen at pages 32 and 33.
- Following year-end, an additional non-executive independent director was appointed to the Board.

Nominating and selecting the highest governance body (Gov-Select)

The role of the Nomination and Remuneration Committee is set out on pages 40 and 41.

The approach of the Board and the Nomination and Remuneration Committee to diveristy and the selection of new Directors is set out on page 23.

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.

Energy and Carbon Report

Schroder European Real Estate Investment Trust plc (the 'Company'/'SEREIT') invests in European growth cities and regions. It is a UK closed ended real estate investment company incorporated on 9 January 2015.

The Company has a premium listing on the Official List of the UK Listing Authority and its shares have been trading on the Main Market of the London Stock Exchange (ticker: SERE) since 9 December 2015. It also has a secondary listing on the Main Board of JSE Limited (ticker: SCD).

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

This Energy and Carbon Report applies for the Company's Annual Report for the 12 months to 30 September 2020. The statement has however been prepared for the 12 months to 31 March 2020, to report annual figures for emissions and energy use for the period for which such information is available. The usage for the period 1 April 2020 to 31 March 2021 will be included in the Annual Report for the 12 months to 30 September 2021.

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

At 31 March 2020 the Company held six properties with operational control in total all of which are located in Continental Europe (i.e. outside of the UK and offshore area).

The Company is not directly responsible for any GHG emissions/energy usage at single let/Full Repairing and Insuring assets nor at multi-let assets where the tenant is counterparty to the energy contract. These emissions form part of the wider value chain (i.e. 'Scope 3') emissions, which are not required to be reported on and not monitored at present. As a real estate company with only one part-time direct employee and no company owned vehicles as at 31 March 2020, energy consumption and emissions associated with travel and occupation of corporate offices is either not relevant or material to report. Fugitive emissions associated with refrigerant losses from air conditioning equipment are widely considered by the industry to be de minimis and data are not typically collected. The Company has not reported these emissions based on an initial materiality review, however over the next year will look to improve monitoring emissions associated with refrigerant losses.

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

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

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

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

	Absolute energy (kWh)		Like for like energy (kWh)	
	2018/19	**2019/20**	2018/19	**2019/20**
Gas	2,071,985	**1,968,044**	2,021,326	**1,866,281**
Electricity	3,502,699	**3,237,410**	3,501,452	**3,234,260**
District heating	485,927	**372,514**	485,927	**372,514**
Total	**6,060,611**	**5,577,967**	**6,008,705**	**5,473,055**
Change in energy		**-8.0%**		**-8.9%**

	Absolute emissions (tCO_2e)		Like-for-like emissions (tCO_2e)	
	2018/19	**2019/20**	2018/19	**2019/20**
Scope 1 (Direct emissions from gas consumption)	497.3	**472.3**	485.1	**447.9**
Scope 2 (Indirect emissions from electricity)	867.6	**778.5**	867.1	**777.1**
Total	1364.9	**1250.8**	1352.2	**1225.0**
Change in emissions		**-8.4%**		**-9.4%**

The like-for-like energy consumption for the 2019 calendar year for the managed assets held within the Company has decreased by 8.9%, the greenhouse gas emissions have decreased by 9.4%. Energy performance improvement initiatives are considered for all directly managed assets; operational initiatives undertaken include LED upgrades and replacement of defective window systems.

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

	Energy intensities (kWh per m^2)		Emissions intensities (tCO_2e per m^2)	
	2018/19	**2019/20**	2018/19	**2019/20**
Office: Corporate: High-Rise Office	211	**196**	33	**31**
Office: Corporate: Mid-Rise Office	101	**72**	38	**25**
Retail Centres: Warehouse	79	**77**	22	**21**
Retail Centres: Shopping Centre	261	**283**	65	**82**

Methodology

- All energy consumption and GHG emissions reported occurred at the Company's assets all of which are located in Continental Europe (i.e. outside UK and offshore area).
- Energy consumption data is reported according to automatic meter reads, manual meter reads or invoice estimates. Historic energy and consumption data have been restated where more complete and or accurate records have become available. Where required, missing consumption data has been estimated through pro rata extrapolation. Data has been adjusted to reflect the Company's share of asset ownership, where relevant.
- Data reported aligns with that reported under the EPRA Sustainability Reporting Performance Measures also disclosed within the Company's Report and Accounts. EPRA Sustainability Reporting Performance Measures have been assured by an independent third party, in accordance with AA1000 Assurance Standard. The Assurance Statement can be found on https://www.schroders.com/en/sysglobalassets/investment-trusts/sereit/sereit-epra-assurance-statement_fv3_1602587_v1.pdf.
- The Company's GHG emissions are calculated according to the principles of the Greenhouse Gas ('GHG') Protocol Corporate Standard
  - The Company's Greenhouse Gas Emissions are reported as tonnes of carbon dioxide equivalent ('tCO_2e'), which includes the following emissions covered by the GHG Protocol (where relevant and available greenhouse gas emissions factors allow): carbon dioxide ('CO_2'), methane ('CH_4'), hydrofluorocarbons ('HFCs'), nitrous oxide ('N_2O'), perfluorocarbons ('PFCs'), sulphur hexafluoride ('SF_6') and nitrogen triflouride ('NF_3').
  - GHG emissions from electricity (Scope 2) are reported according to the 'location-based' approach.
  - The following table of greenhouse gas emissions conversion factors and sources have been applied:

Energy and Carbon Report continued

Country	Emissions source	GHG emissions factor	Emissions factor data source
France	Electricity 2018	0.061kgCO_2e	CO_2 Emissions from Fuel Combustion, International Energy Agency (2018), (2019)
	Electricity 2019	0.069kgCO_2e	
Germany	Electricity 2018	0.449kgCO_2e	CO_2 Emissions from Fuel Combustion, International Energy Agency (2018), (2019)
	Electricity 2019	0.419kgCO_2e	
	District heating	0.247kgCO_2e	Process Data set: District heating mix, ÖKOBAUDAT, Federal Ministry of the Interior, Building and Community, Germany (2018)
Netherlands	Electricity 2018	0.469kgCO_2e	CO_2 Emissions from Fuel Combustion, International Energy Agency (2018), (2019
	Electricity 2019	0.439kgCO_2e	
Spain	Electricity 2018	0.247kgCO_2e	CO_2 Emissions from Fuel Combustion, International Energy Agency (2018), (2019)
	Electricity 2019	0.290kgCO_2e	
France, Germany, Netherlands	Gas	0.240kgCO_2e	JRC Technical Reports. Covenant of Mayors for Climate and Energy: Default emission factors for local emission inventories (2017)

Energy efficiency actions

Environmental data management system and quarterly reporting

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

Energy target, audits and improvement programme

Schroder Real Estate Investment Management ('SREIM') has set an energy and greenhouse gas 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 (covering landlord-procured energy – GHG emissions Scopes 1 and 2). SREIM 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).

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

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

Renewable electricity tariffs and carbon offsets

SREIM has an objective to procure 100% renewable electricity for landlord-controlled supplies. At 31 March 2020, 19% of the Company's landlord controlled electricity was on renewable tariffs. No carbon offsets were purchased during the reporting period.

Glossary

Admission	means the admission of the Company's ordinary shares to the premium segment of the Official List, to trading on the LSE's main market for listed securities, and to trading on the main board of the JSE on 9 December 2015.
AGM	means the Annual General Meeting of the Company.
Articles	means the Company's Articles of Association, as amended from time to time.
Companies Act	means the Companies Act 2006, as amended.
Company	is Schroder European Real Estate Investment Trust plc.
Directors	means the Directors of the Company as at the date of this document and their successors and 'Director' means any one of them.
Disclosure Guidance and Transparency Rules	means the disclosure guidance and transparency rules made by the FCA under Part VII of the UK Financial Services and Markets Act 2000, as amended.
Earnings per share ('EPS')	is the profit after taxation divided by the weighted average number of shares in issue during the period. Diluted and Adjusted EPS per share are derived as set out under NAV.
Estimated rental value ('ERV')	is the Group's external valuers' reasonable opinion as to the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of a property.
EPRA	is the European Public Real Estate Association.
EPRA earnings	represents the net income generated from the operational activities of the Group. It excludes all capital components not relevant to the underlying net income performance of the portfolio, such as the realised and unrealised fair value gains or losses on investment properties, and debt instruments, and unrealised gains or losses on currency translation.
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 JSE Limited.
Loan to value ('LTV')	is a ratio which expresses the gearing on an asset or within a company or Group by dividing the outstanding loan amount by the value of the assets on which the loan is secured.
LSE	is the London Stock Exchange.
Listing rules	means the listing rules made by the FCA under Part VII of the UK Financial Services and Markets Act 2000, as amended.
Net Asset Value ('NAV')	is the total assets' value minus total liabilities.
NAV total return	is calculated taking into account the timing of dividends, share buybacks and issuance.
Net rental income	is the rental income receivable in the period after payment of ground rents and net property outgoings.
Passing rent	is the annual rental income currently receivable on a property as at the Balance Sheet date. This excludes rental income for rent free periods currently in operation and service charge income.
WAULT	is the weighted average unexpired lease term. This is the average time remaining to the next lease break date or lease expiry date.

Explanation of Special Business

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

The AGM of the Company will be held on Wednesday, 3 March 2021 at 12.00 noon at 1 London Wall Place, London EC2Y 5AU. The formal Notice of Meeting is set out on pages 95 to 98. The following paragraphs explain the special business to be put to the AGM.

The Board takes the well-being of its shareholders and colleagues seriously and has been closely monitoring the evolving Covid-19 pandemic. At present it is the intention of the Board to hold the AGM as in previous years, with shareholders given the option of attending in person. In the event that the UK Government's guidance on social distancing and public gatherings nearer to the time of the AGM does not permit this, the Board will make such arrangements as it deems necessary to the format of the AGM to comply with Government guidance and regulations.

Resolution 10 – Directors' authority to allot ordinary shares (ordinary resolution) and Resolution 11 – Power to disapply pre-emption rights (special resolution)
The Investment Manager believes that there are ongoing opportunities to generate attractive risk-adjusted returns through investing in accordance with the Company's investment policy.

In order to facilitate further equity raises to fund such investment opportunities, the Directors are seeking authority to allot up to a specified number of ordinary shares for cash without first offering them to existing shareholders in accordance with statutory pre-emption procedures.

Appropriate resolutions will be proposed at the forthcoming AGM and are set out in full in the Notice of AGM. An ordinary resolution will be proposed to authorise the Directors to allot shares up to a maximum aggregate nominal amount of £1,337,346 (being 10% of the issued share capital as at the date of the Notice of the AGM). A special resolution will also be proposed to give the Directors authority to allot securities for cash on a non-pre-emptive basis up to a maximum aggregate nominal amount of £1,337,346 (being 10% of the Company's issued share capital as at the date of the Notice of the AGM). This authority includes shares that the Company sells or transfers that have been held in treasury. The Board has established guidelines for treasury shares and will only reissue shares held in treasury at a price equal to or greater than the Company's net asset value (inclusive of current year income) plus any applicable costs.

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

If approved, both of these authorities will expire at the conclusion of the AGM in 2022 unless renewed, varied or revoked earlier.

Resolution 12 – Authority to make market purchases of the Company's own shares (special resolution)
At the AGM held on 3 March 2020, the Company was granted authority to make market purchases of up to 20,046,829 ordinary shares of 10 pence each for cancellation or holding in treasury. No ordinary shares have been bought back under this authority and the Company therefore has remaining authority to purchase up to 20,046,829 ordinary shares. This authority will expire at the forthcoming AGM.

The Directors believe it is in the best interests of the Company and its shareholders to have a general authority for the Company to buy back its ordinary shares in the market as they keep under review the share price discount to net asset value and the purchase of ordinary shares. A special resolution will be proposed at the forthcoming AGM to give the Company authority to make market purchases of up to 14.99% of the ordinary shares in issue as at the date of the Notice of the AGM. The Directors will exercise this authority only if the Directors consider that any purchase would be for the benefit of the Company and its shareholders, taking into account relevant factors and circumstances at the time. Any ordinary shares so purchased would be held in treasury. If renewed, the authority to be given at the 2021 AGM will lapse at the conclusion of the AGM in 2022 unless renewed, varied or revoked earlier.

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

Sir Julian Berney Bt.
Chairman

8 December 2020

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Schroder European Real Estate Investment Trust plc will be held on Wednesday, 3 March 2021 at 12.00 noon at 1 London Wall Place, London EC2Y 5AU to consider the following resolutions of which resolutions 1 to 10 will be proposed as ordinary resolutions and resolutions 11 and 12 will be proposed as special resolutions:

1. To receive the Report of the Directors and the audited accounts for the year ended 30 September 2020.
2. To approve the Directors' Remuneration Report for the year ended 30 September 2020.
3. To elect Mrs Elizabeth Edwards as a Director of the Company.
4. To re-elect Sir Julian Berney Bt. as a Director of the Company.
5. To re-elect Mr Jonathan Thompson as a Director of the Company.
6. To re-elect Mr Mark Patterson as a Director of the Company.
7. To re-appoint PricewaterhouseCoopers LLP as Auditors to the Company.
8. To authorise the Directors to determine the remuneration of PricewaterhouseCoopers LLP as Auditors to the Company.
9. To approve the Company's dividend policy as set out on page 35 of the Annual Report and Accounts for the year ended 30 September 2020.
10. To consider and, if thought fit, pass the following resolution as an ordinary resolution:

    'That in substitution for all existing authorities the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers of the Company to allot relevant securities (within the meaning of section 551 of the Act) up to an aggregate nominal amount of £1,337,346 (being 10% of the issued ordinary share capital, at the date of this Notice) for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the next Annual General Meeting of the Company, but that the Company may make an offer or agreement which would or might require relevant securities to be allotted after expiry of this authority and the Board may allot relevant securities in pursuance of that offer or agreement.'

11. To consider and, if thought fit, to pass the following resolution as a special resolution:

    'That, subject to and conditional on the passing of Resolution 10 set out above, the Directors be and are hereby empowered, pursuant to sections 570 and 573 of the Act, to allot or sell equity securities (including any ordinary shares held in treasury) (as defined in section 560(1) of the Act) pursuant to the authority given in accordance with section 551 of the Act by Resolution 10 and/or where such allotment constitutes an allotment of equity securities by virtue of section 560(2) of the Act as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £1,337,346 (representing 10% of the aggregate nominal amount of the share capital in issue at the date of this Notice); and provided that this power shall expire at the conclusion of the next Annual General Meeting of the Company but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require equity securities to be allotted after such expiry.'

12. To consider and, if thought fit, to pass the following resolution as a special resolution:

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

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

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

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

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

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

    d. This authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company in 2022 (unless previously renewed, varied or revoked by the Company prior to such date);

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

    f. Any Shares so purchased will be cancelled or held in treasury.'

By order of the Board

For and on behalf of
Schroder Investment Management Limited

Registered Number: 09382477
Registered Office: 1 London Wall Place, London EC2Y 5AU
8 December 2020

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 12.00 noon on Monday, 1 March 2021. 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 Monday, 1 March 2021, 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 Monday, 1 March 2021 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. During such period that Covid-19 restrictions are imposed, interested parties are invited to email the Company Secretary on amcompanysecretary@schroders.com to arrange access to these. None of the Directors has a contract of service with the Company.

6. The biography of the Directors offering themselves for election or re-election is set out in the Company's Annual Report and Accounts for the year ended 30 September 2020.

7. As at 8 December 2020, 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 8 December 2020 was 133,734,686.

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

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

Information for shareholders on the South Africa register

Certificated shareholders and own-name registered dematerialised shareholders

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

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

3. Forms of proxy must be lodged with or posted to the transfer secretaries, Computershare Investor Services (Pty) Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (Private Bag X9000, Saxonwold 2132, South Africa), faxed to +27 11 688 5238 or emailed to proxy@computershare.co.za to be received by no later than 2.00 p.m. (Johannesburg time) on Monday, 1 March 2021.

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

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

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

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

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

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

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

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

Explanatory Notes to the Notice of Meeting continued

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

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

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

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

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

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

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

Shareholder Information

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

Share price information may be found in the Financial Times and on 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 AIFMD to be made available to investors in the Company on request in respect of remuneration paid by the AIFM to its staff, and, where relevant, carried interest paid by the Company, can be found on the 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. The calculation of figures and performance scenarios contained in the KID have been neither set nor endorsed by the Board.

Corporate Information

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Jonathan Thompson
Mark Patterson
Elizabeth Edwards

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SEDOL: BY7R8K7
Ticker (LSE): SERE
Ticker (JSE): SCD

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

Legal Entity Identifier (LEI):
549300BHT1Z8NI4RLD52

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London EC4M 7LT

Transfer Secretary
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South Africa

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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.

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