

Schroder European Real Estate Investment Trust plc

Annual Report and Consolidated Financial Statements

For the Year Ended
30 September 2016



Schroders



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OVERVIEW

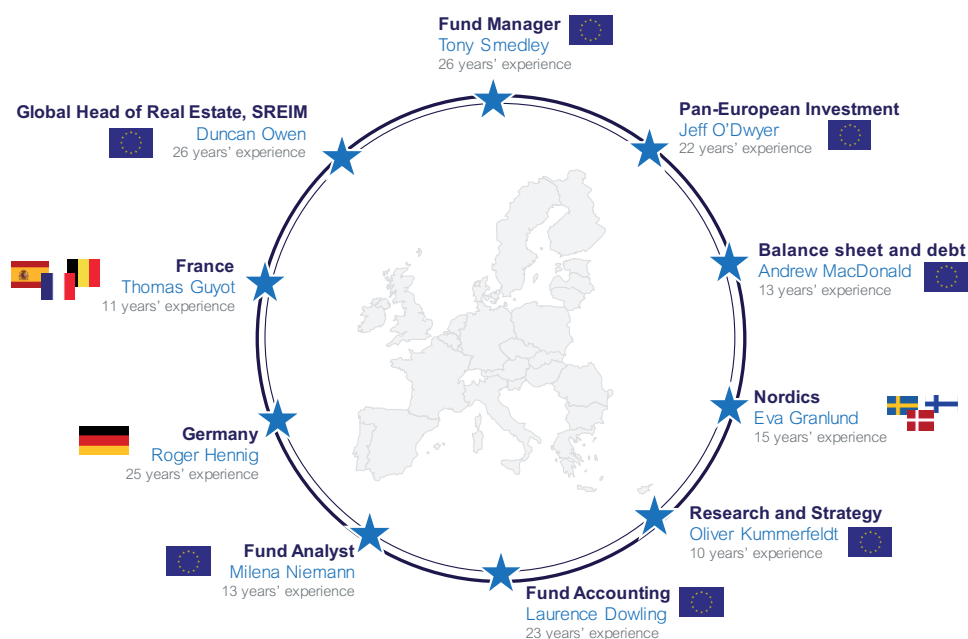
Company Summary

The Company invests in European growth cities, and is a UK closed ended real estate investment company incorporated on 9 January 2015.

The Company has a premium listing on the Official List of the UK Listing Authority and its shares have been trading on the Main Market of the London Stock Exchange (ticker: SERE) since 9 December 2015. It also has a secondary listing on the Main Board of the Johannesburg Stock Exchange (ticker: SCD). At 30 September 2016, the Company had 121,234,686 shares in issue. In October 2016, a further 12,500,000 ordinary shares were placed, raising gross proceeds of approximately £15 million. The new shares represent approximately 10.3% of the issued ordinary share capital of the Company prior to the placing. As at the

date of this report, the Company had ten subsidiaries which, together with the Company, form the Group.

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



Investment objective

To provide shareholders with a regular and attractive level of income return together with the potential for

long term income and capital growth through investing in commercial real estate in Continental Europe.

Company Summary continued

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 must be mature and liquid and have growth prospects exceeding those of their domestic economy.

The underlying investment theme driving investment is urbanisation. This focus is on those winning cities and regions with a competitive advantage in terms of:

- Higher levels of GDP, employment and population growth;
- Well developed and/or improving infrastructure;
- Mixed use areas, where people want to live as well as work, creating competing demands for different uses;
- Supply constrained locations; and
- Affordable and/or sustainable rents which are capable of growth.

The Company targets office, retail, logistics/light industrial, leisure investments 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. In addition, the portfolio is diversified by location, use, size, lease, duration and tenant concentration.

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

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

Asset class and geographic restrictions

The Company'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. However, 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 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.

HIGHLIGHTS¹ AND POST YEAR END

Year ended 30 September 2016

€166.5m

(£121.7 million) raised at IPO and subsequent placings

Acquired seven commercial property assets yielding

5.6%

in target growth cities of Germany & France

Portfolio to benefit from growth trends of urbanisation, demographics and infrastructure improvements

NAV of

€157.8m

(£136.7m) at 30 September 2016 (130.2 euro cents per share/ 112.8 pence per share)

Portfolio valued at

€148.2m

(30 September 2016), reflecting an uplift of approximately

5%

on purchase price

Low cost, long duration debt financing at

22% LTV

100%

let with 6.5 years average lease term

Dividends of

1.7 cps

declared relating to the year to 30 September 2016 – of which 0.9 cps to be paid by way of second interim dividend in January 2017

Annual interest cost of

1.19% vs 5.6%

property yield generates a geared income return of

7.7%

(pre fund costs and tax)

Post year end

€16.8m

(£15m) raised through October 2016 equity placing

Contracts exchanged on

28 October 2016 to acquire an office investment in Paris located next to the Grand Paris infrastructure project for €30.1m at an accretive yield of

€60m

investment capacity for further accretive acquisitions

9.5%

Post-acquisition the portfolio weighted average unexpired lease term will be 5.2 years

¹Highlights relate to the Group's share and excludes the minority interest included in the Financial Statements in accordance with IFRS reporting

STRATEGIC REPORT

Performance summary¹

Financial summary

	30 September 2016	30 September 2015
NAV (excluding minority interest)	€157.8m	–
NAV per ordinary share (euro cents)	130.2	–
EPRA NAV	€157.6m	–
EPRA earnings	€1.0m	–
Equity raised (gross)	€166.5m	–

Capital values

	30 September 2016	30 September 2015
Share price (GBP)	1.28	–
Share price (premium to NAV GBP)	13.5%	–
NAV total return	–4.6%	–

Earnings and dividends

	30 September 2016	30 September 2015
Loss (euro cents per share)	(2.1)	–
EPRA earnings (euro cents per share)	0.9	–
Headline Earnings Per Share (euro cents per share)	0.7	–
Dividends declared (euro cents per share)	1.7	–
Annualised dividend yield on 30 September share price	2.6%	–

Bank borrowings

	30 September 2016	30 September 2015
On-balance sheet borrowings	€48.7m	–
Loan to value ratio	22%	–

Ongoing charges

	30 September 2016	30 September 2015
Ongoing charges (including fund only expenses)	1.57%	–
Ongoing charges (including fund and property expenses)	1.57%	–

¹Relates to the Group's share only and excludes the 30% minority interest in SCI Rennes/Anglet

STRATEGIC REPORT

Chairman's Statement

Overview

Significant progress has been made in the ten months since the IPO. The equity raised at IPO has been invested in institutional grade, income producing commercial real estate in identified growth markets of Continental Europe, helping the Company achieve its initial objective of building a diversified portfolio generating regular and attractive income returns and positioning the Company to deliver its 5.5% dividend target.

Income returns have been enhanced by applying leverage against assets where borrowing terms are most accretive; the average cost of our debt is 1.19% which compares favourably with property acquisition yields of 5.6%. The Company now has leverage of 22% LTV.

Moving forward, the Company has an identified pipeline of investment opportunities which are under consideration by the Investment Manager and the Board and which fit with the stated investment objectives.

Strategy

The Company's strategic focus on large and established continental European conurbations is based on the continuing demand/supply imbalance for good quality space and the ongoing structural changes such as urbanisation and infrastructure improvement taking place in those markets. We believe it will also position the Company well to take advantage of potential occupier shifts that are likely to arise following the result of the UK referendum on membership of the EU in June.

Growing the Company in a disciplined way that enhances liquidity, economies of scale and performance

prospects for shareholders is an important objective for next year and beyond. To this end, on 28 October 2016 the Company raised a further £15 million of equity under the placing programme established at IPO. The first acquisition using these proceeds was of a new office in Paris at a net initial yield of 9.5%. As stated at IPO the Company is targeting significant growth from its current capitalisation and further capital raisings will be an important component of this strategy, in order that the Company can take advantage of both existing and new investment opportunities.

Market

So far there has been little, if any, evidence of a significant change in occupier or investor behaviour in Continental European markets following the UK's vote to leave the EU. As a Board we are not complacent and rationally expect some market volatility as the negotiations between the UK and the EU continue. We also believe investor interest in Continental Europe may increase as a result of both diversification and occupier interest in those markets, as well as a period of uncertainty for the UK real estate market, all of which should support our strategy moving forward.

We believe the focus of our strategy on long term growth markets and backing mega trends such as urbanisation, demographic change and infrastructure is now even more appropriate. Such environments are likely to prove more resilient in a downside scenario and have further upside potential in the scenario where additional growth is generated through a progressive shift of occupiers from the UK to EU markets.

Portfolio

Following a concerted period of investment, the Company now owns a portfolio of seven properties valued at €148.2 million as at 30 September 2016, reflecting an increase of approximately 5% on the purchase price. The assets are all 100% let on strong covenants, generating €8.7 million of annual rental income. The average unexpired lease term is 6.5 years to first break and 8.2 years to expiry. All leases are

indexed, which is a positive characteristic supporting the ability to meet the dividend.

The asset in Paris the Company has committed to acquire post period end is expected to complete January 2017, increasing the portfolio value to about €178 million.

Chairman's Statement continued

Dividend

The Company is targeting an annualised euro dividend yield of 5.5% based on the euro equivalent of the issue price as at Admission.

The Company paid its first dividend of 0.8 euro cents per share in September 2016. Directors have declared a second interim dividend in respect of the period to 30 September 2016 of 0.9 euro cents per share based on the number of shares in issue as at the publishing

date of this Report. This represents an annualised rate of 2.6% based on the Euro equivalent of the issue price at admission. The interim dividend will be paid on 27 January 2017 to shareholders on the register on 13 January 2017. The dividend is fully covered by contractual income receivable from the current portfolio. The total dividend in respect of the 2016 financial year is 1.7 euro cents per share.

Balance sheet and debt

Prudent leverage is used by the Company with the objective of improving shareholder returns, whilst maintaining a robust balance sheet, with overall leverage capped at 35% LTV at portfolio level. As at 30 September 2016, the Company had three debt facilities in place totalling €48.7 million, secured against

six of its assets and representing a loan to value of 22% against the Company's gross asset value. The average debt maturity was 7.75 years and the average interest rate was 1.19% p.a., materially below the average net initial yield on the portfolio.

Outlook

We are grateful for the support of investors at IPO, and in subsequent new share issuances, which has enabled the Company to fulfil its initial objective and ensure that we are well positioned to take advantage of favourable market conditions. As stated at IPO, there are a number of benefits for shareholders from disciplined and accretive growth, including greater share liquidity, portfolio diversification and beneficial economies of scale and this remains a priority.

Despite the competitive investment environment for yielding assets in Continental Europe and the volatile macro-economic environment, the Investment Manager has been successful in acquiring attractive assets for the Company in the target markets. The focus remains on finding value in those markets and ensuring continued portfolio diversification. The Company will continue to take advantage of Schroders' wider real estate fund management,

research and strategy expertise (£11.8 billion AUM and 81 real estate professionals as at 30 September 2016) to identify, acquire and actively manage the growing portfolio. The Investment Manager is based in the target markets and best placed to identify the growth segments of the market.

This has been a particularly active first reporting period for the Company and I would like to thank my fellow Directors and the Investment Manager for their focus, diligence and skill in navigating this initial phase. The next stage for the Company is to maximise investment performance from its current portfolio, meet the dividend target and secure accretive new investments to support the medium term growth strategy. Current market conditions appear conducive to such a strategy and we look forward to working together to deliver this.

Sir Julian Berney Bt.
Chairman
13 December 2016

STRATEGIC REPORT

Investment Manager's Report

Results

The Company declared a NAV as at 30 September 2016 of €157.8 million or 130.2 euro cents per share (112.8 pps). This reflects a decrease in euro terms of –5.2% compared with the capital raised. The NAV total return including paid dividends was –4.6%, largely reflecting the costs of new equity issuances and the

acquisition costs of new investments over the reporting period.

The table below provides a breakdown of the movement in NAV during the reporting year:

	€ million ¹	% Capital raised
Capital raised	166.5	100%
Issue costs – actual	(3.4)	–2.0%
Issue costs – FX movements on Rand/EUR exchange	(1.6)	–1.0%
Transaction costs of investments made during year	(10.0)	–6.0%
Unrealised gain in valuation of the property portfolio	6.6	4.0%
Unrealised FX loss on monetary items (cash/debtors/creditors)	(0.2)	–0.1%
Realised FX loss	(0.1)	–0.1%
Net operating profit	1.1	0.7%
Dividends paid	(1.0)	–0.6%
Adjustment for lease incentives	(0.1)	–0.1%
NAV as at 30 September 2016	157.8	94.8%

¹Management reviews the performance of the Company principally on a proportionally consolidated basis. As a result, figures quoted in this table include the Company's share of joint ventures on a line-by-line basis and excludes non-controlling interests in the Company's subsidiaries. The Financial Statements set out on pages 52 to 70 are prepared fully in accordance with IFRS principles and therefore include 100% of any majority interest on a line-by-line basis.

Market overview

The Eurozone economy has grown by around 1.5% p.a. (Source: Eurostat) since mid-2013 and is expected to continue to recover. The recent vote on the UK's membership of the EU triggered a downward correction in growth expectations but it is not expected to derail the recovery of the Eurozone. While the boost from falling oil prices may fade, most countries look set to benefit from rising employment and robust

consumer spending. Low interest rates mean business confidence has remained strong and low/negative bond yields should cut governments' borrowing costs and enable them to raise spending in 2017. Exports are also likely to gather momentum next year, helped by slightly faster growth in the US and a revival in emerging markets.

Offices

The improvement in the economy continues to impact on the office supply/demand imbalance in the Company's favour. Agents' data (Source: JLL) suggests office take up rose in most of our target European cities during 2016 with corresponding increases in prime

office rents. Most of the growth has been among the professional services, technology and media sectors. Office market fundamentals remain supportive of further rental growth as vacancy continues to decrease and the supply pipeline is limited.

Investment Manager's Report continued

Retail

Consumer spending continues to support the retail sector despite the structural change taking place with online sales showing rapid growth and impacting the demand for physical retail space. Demand for high street units/flagship stores in core city centre locations remains high. Dominant shopping centres with a retail, leisure and food offer also continue to perform well. Secondary high streets and small to mid-sized

shopping centres remain under pressure. Supermarkets, convenience stores and out-of-town retail warehouses are, however, expected to be more resistant to online encroachment, as consumers still prefer the physical aspect of food, furniture, DIY and homewares and because these stores typically have car parking and are convenient for click & collect sales.

Industrial

A result of the exponential growth of online retail has been the increasing demand for industrial warehouses. Demand for big distribution warehouses has increased by 25% since 2013 (Source: JLL), due mainly to

internet retailers and third party logistics operators. Demand for parcel delivery and fulfilment centres, including urban logistics, has also seen significant growth with demand far outpacing supply to date.

Investment market

Although investment volumes have fallen since the start of the year from the high levels of 2015, the investment market remains competitive. While capital inflows from Asian and North American investors have been noticeably lower, European investors remain active, attracted by the large gap between real estate and bond yields. There was a notable fall in activity in the UK since the start of the year related to the UK referendum, with Germany replacing the UK as the go-to destination for property investment following the vote on 23 June 2016 (Source: Real Capital Analytics).

Early data suggests that investment activity in continental Europe is unaffected and could further increase in the coming months. Looking ahead, we expect investor sentiment will probably cool ahead of the elections in the Netherlands (March), France (April/May) and Germany (October). This uncertainty will affect not only real estate, but also equities and bonds in the eurozone. However, even if bond yields rise, we expect that real estate yields will probably be relatively stable, given the prospects for rental growth.

Strategy

The Company's strategy is set out on page 3.

Investment Manager's Report continued

Property portfolio

As at 30 September 2016, the Company owned seven properties independently valued at €148.2 million, reflecting a net initial yield of 5.3% against the independent valuation and 5.6% against investment cost. The retail properties in Biarritz and Rennes are owned in a 70/30 joint venture with Mercialys, the French retail property specialist.

In addition, contracts were exchanged post year end for the purchase of the €30.1 million French office building Le Directoire in Paris, reflecting a net initial

yield of 9.5%. On completion, this purchase will increase the portfolio value to approximately €178 million. The portfolio's net initial yield against investment costs will increase to 6.3% as a result of purchasing Le Directoire.

All portfolio statistics in this section assume, unless stated otherwise, that the Company completes the purchase of the Le Directoire asset in Paris. The statistics all reflect the 70% ownership share of Biarritz and Rennes.

The table below gives an overview of the portfolio:

Property	Country	Sector	Contracted rents		Value			
			€m	% total	€0-€20m	€20m-€40m	€40m-€60m	>€60m
Paris	France	Office	2.3	19.2				X
Berlin	Germany	Retail	1.6	13.2			X	
Biarritz	France	Retail	1.3	10.2			X	
Hamburg	Germany	Office	1.1	9.0	X			
Rennes	France	Retail	0.9	7.7	X			
Stuttgart	Germany	Office	0.8	6.6	X			
Frankfurt	Germany	Retail	0.7	5.9	X			
Portfolio at financial year end			8.7	71.8			€148.2 million	
Paris, Le Directoire	France	Office	3.4	28.2			X	
Portfolio incl. committed purchase			12.1	100.0			€178.3 million	

The portfolio's country and sector allocations, pre and post the Le Directoire commitment, is specified below.

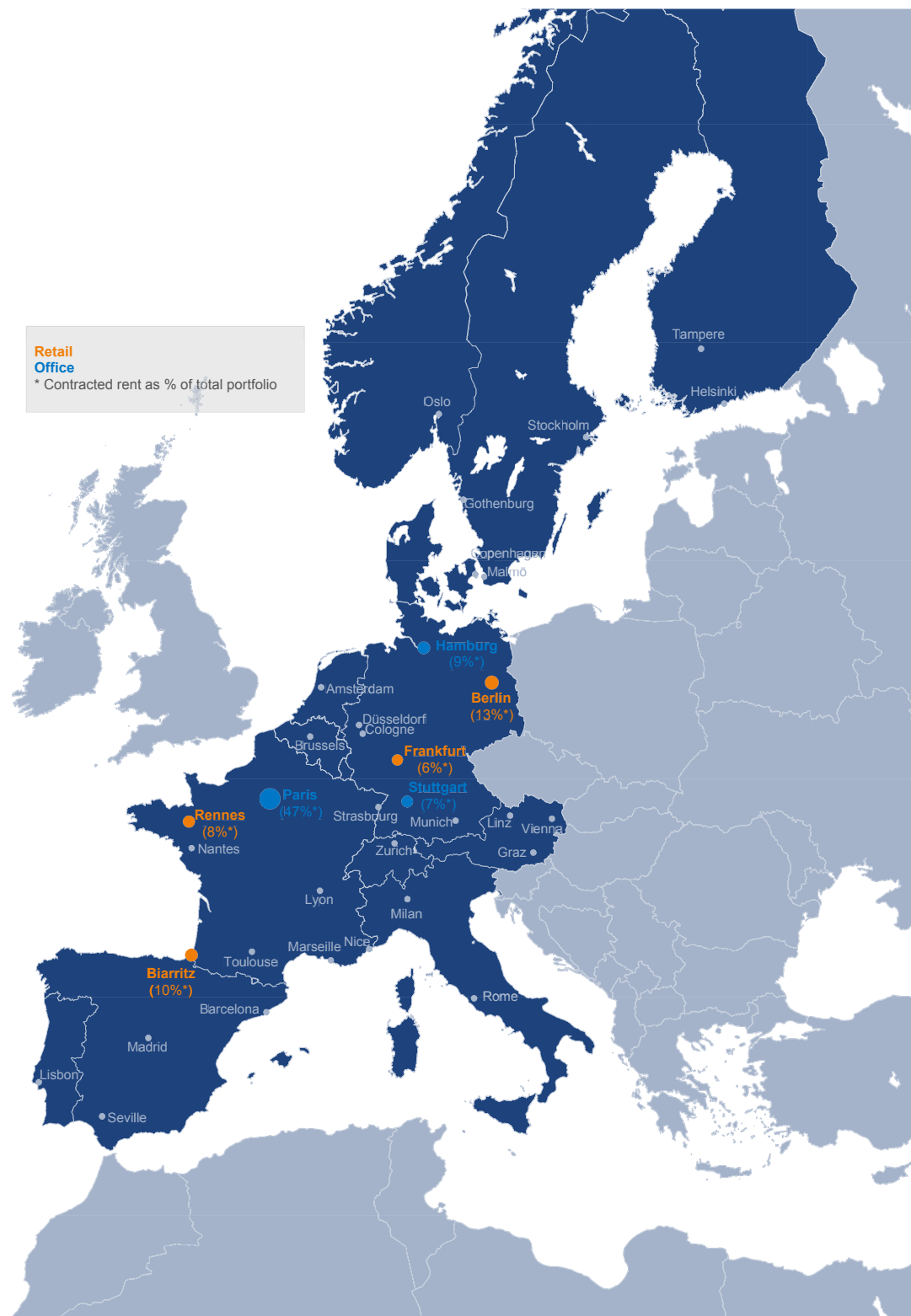
Country allocation (% contracted rent)	Portfolio at financial year end	Portfolio including committed purchase	Sector allocation (% contracted rent)	Portfolio at financial year end	Portfolio including committed purchase
France	52%	65%	Office	48%	63%
Germany	48%	35%	Retail	52%	37%
Total	100%	100%	Total	100%	100%

The assets are fully let, generating €12.1 million in annual rental income. The average unexpired lease term is 5.2 years to first break and 7.2 years to expiry

(this compares to 6.5 years to first break and 8.2 years to expiry excluding Le Directoire).

Investment Manager's Report continued

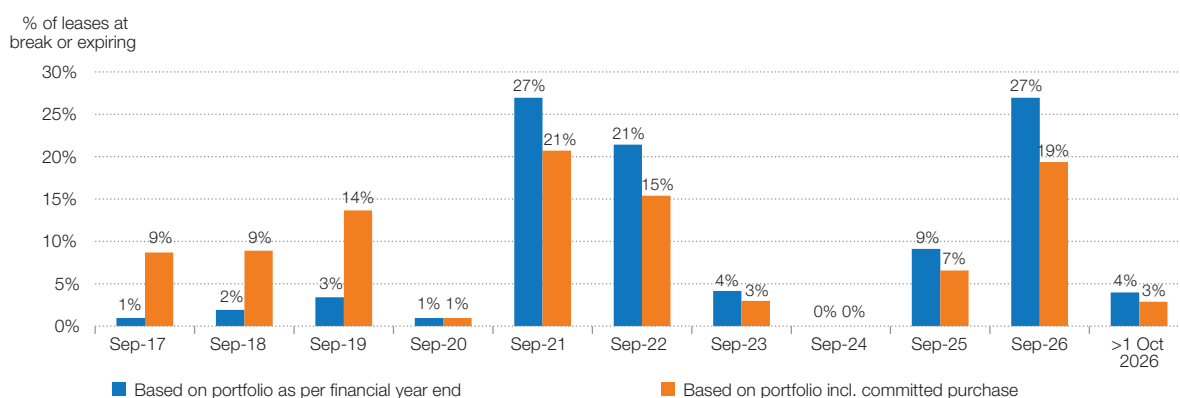
The map below shows the portfolio locations, also indicating city allocations by contracted rent (as a percentage of total contracted rent from the eight asset portfolio, including Le Directoire).



Investment Manager's Report continued

Lease expiry profile

The lease expiry profile to earliest break for portfolio is detailed below. The near term lease expiries in 2017 and 2018 (based on the portfolio including the committed purchase) provide asset management opportunities to renegotiate leases, extend weighted average unexpired lease terms, improve income security and generate rental growth.



Top Ten Tenants

The top ten tenants represent a significant proportion of the total contracted rent generated by the portfolio and comprise a wide range of occupiers from different industry segments. As at the financial year end, the ten largest tenants account for 95% of contracted rents. Post completion of the Le Directoire purchase in St Cloud, Paris, the ten largest tenants in the portfolio will account for 71% of the portfolio.

The table below gives an overview of the top ten tenants for the portfolio as at financial year end.

Tenant	Property	Tenant risk ⁽¹⁾	Contracted rent (€'000 p.a.)	Contracted rent (%) ⁽²⁾	Unexpired lease term (years) ⁽³⁾
1 ALTEN	Paris	Low	2,308	26	4.5
2 Casino	Rennes & Biarritz	Low	1,856	21	5.7
3 Hornbach	Berlin	Low	1,607	18	9.3
4 City BKK	Hamburg	High	797	9	8.4
5 Land Baden-Württemberg	Stuttgart	Low	654	8	9.4
6 Lidl	Frankfurt	Low	347	4	10.4
7 Boulanger	Biarritz	Low	262	3	2.7
8 PTS Petereit Services	Hamburg	Low-Medium	218	3	6.3
9 PräventSozial	Stuttgart	Low	145	2	6.4
10 Westside Rödelheim	Frankfurt	Low-Medium	96	1	9.7
Subtotal			8,290	95	6.8
Remainder current portfolio			452	5	2.1
Portfolio at financial year end			8,742	100.0	6.5
Committed purchase			3,425		2.0
Portfolio incl. committed purchase			12,167		5.2

¹Regular tenant risk assessments are undertaken for tenants above €100,000 contracted rents. Among other considerations, our risk assessments are based on D&B ratings and D&B failure scores.

²Percentage based on total contracted rent as at financial year end.

³Unexpired lease term until earliest termination in years as at 30 September 2016.

Valuation

The current valuation of €148.2 million for the existing portfolio (excluding the committed Le Directoire purchase) reflects an increase of 4.7% compared to

the combined purchase price of the seven asset portfolio. Over 60% of the transaction costs have been recovered through valuation uplifts since acquisition.

STRATEGIC REPORT

Transactions and asset management

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

The Group's first acquisition was in Boulogne-Billancourt (Paris), a 6,788 sqm fully leased office investment acquired in March 2016 for €37.5 million, reflecting a net initial yield of 5.7%. The investment has a number of characteristics consistent with our strategy: being leased off modest/sustainable rents, located in a supply constrained area and where there is a high incidence of competing uses as evidenced by recent office to residential conversions.

Asset management initiatives include:

- Managing neighbouring property easements, which have value in our favour;
- Continuing to work with the tenant regarding their longer term occupational intentions and consider refurbishment to generate rental uplift; and
- Determining local planning potential, particularly the opportunity for conversion to higher value uses.

Transactions and Asset Management continued

Großbeerenstraße, 12107, Berlin, Germany

This Hornbach DIY unit is located in a growing, densely populated, mixed use area in the southern Berlin suburb of Mariendorf. It was acquired in March 2016 for €24.3 million, reflecting a net initial yield of 6.2%. The investment is a relatively defensive long-term income play underpinned by four hectares of land in Germany's capital city, a city whose economic and population growth is expected to outperform domestic and European averages.

Subject to tenant and local authority discussions there is further asset management potential given the large site area. Initiatives include:

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



Transactions and Asset Management continued

Neckarstraße, 70190, Stuttgart, Germany

This attractive office investment is located in central Stuttgart. It was acquired in April 2016 in a portfolio transaction with the Hamburg investment for a combined €28.9 million, reflecting a blended net initial yield of 6.0%. The investment is located in a sub-market with minimal vacancy and is expected to benefit from favourable rental growth, particularly with completion of “Stuttgart 21” in 2021, a large infrastructure and urban development project nearby.

The property provides a long term cash flow underpinned by the Federal state of Baden-Württemberg and future asset management potential.



Transactions and Asset Management continued

Hammerbrookstraße, 20097, Hamburg, Germany

“Tri-Tower C” is a fully let multi-tenanted office building located in one of Germany’s top seven office markets. It was acquired in April 2016 in a portfolio transaction with the Stuttgart investment for a combined €28.9 million, reflecting a blended net initial yield of 6.0%. This asset was acquired for its value characteristics. Passing rents are less than 50% of that achieved in the city centre, one metro stop away. The sub-market is a popular back office location for a broad range of public and private companies and is increasingly becoming a place where people want to live and work.

Asset management initiatives include:

- Extending two smaller office leases that expire during 2016;
- Discussing with City BKK a potential lease surrender payment and subsequent direct leasing with sub-tenants.





Transactions and Asset Management continued



Lorscher Straße, 60489, Frankfurt–Rodelheim, Germany

A multi-let convenience retail centre located in a growing inner urban region of Frankfurt am Main. It was acquired in May 2016 for €11.1 million, reflecting a net initial yield of 5.6%. A key point of difference is the 1,600 sqm Lidl supermarket which is approximately double the size of discount supermarkets in the region, therein providing for a broader grocery offer. The investment is a combination of longer term, stable income with short term asset management potential including:-

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



Transactions and Asset Management continued

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

Acquired off-market this investment is a fully let multi-tenanted retail asset located in a leading regional tourism destination in France, Biarritz. A 70% interest was acquired in June 2016 in association with the Rennes hypermarket for a combined €39.9 million, reflecting a blended net initial yield of 5.0%. The investment rationale is predicated on acquiring well located retail schemes in growth regions let at affordable rents and with alternative use potential. We specifically requested that the vendor, Mercialys, retain a 30% stake as an alignment of interests.

This is an attractive long term income stream which is rarely traded in the French market with future asset management potential to improve the retail offer.



A photograph of the exterior of a Géant Casino building. The building is white with a large, bold red sign that reads "Géant Casino". The sign is mounted on the wall. To the right of the sign, there is a red building with arched windows. In the foreground, there is a paved area with a metal railing and a small tree. A newspaper kiosk is visible near the entrance. The sky is clear and blue.

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

Acquired off-market with the Biarritz asset, this investment is a single tenanted hypermarket located in the northern French city of Rennes. A 70% interest was acquired in June 2016 in association with the Biarritz centre for a combined €39.9 million, reflecting a blended net initial yield of 5.0%. We specifically requested that the vendor, Mercialys, retain a 30% stake as an alignment of interests. The investment rationale is founded on acquiring dominant retail assets in growth regions. Rennes has a population of c.700,000 people and its GDP and consumer spending are forecast to grow above the national average.

This is an attractive long term income stream which is rarely traded in the French market with future asset management potential to improve the retail offer.



Transactions and Asset Management continued

The combined purchase price of the above seven assets was €141.6 million and €151.5 million including acquisition costs.

Post 30 September 2016, the Group entered into a conditional contract to acquire a fully leased office building in Paris.

Le Directoire, Saint-Cloud (Paris), France

Fully income producing office investment comprising part of an established office complex in Saint Cloud, a densely populated mixed use area in the west of Paris. A conditional contract to acquire the property was signed in October 2016 at a price of €30.1 million, reflecting a net initial yield of 9.5%. This is very accretive and, we believe, capable of long term growth given the relatively modest rents currently being paid and the strong occupational track record of the property. The new Grand Paris public transport connection will be completed alongside the building in 2025, which is expected to provide significantly improved accessibility to this part of Paris and better property performance as a result.



Transactions and Asset Management continued

Finance

As at 30 September 2016, the Company's total debt was €48.7 million across three loan facilities. This represents a loan to value of 22% against the Company's gross asset value.

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

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

The current blended all-in interest rate is 1.19%, significantly below the portfolio yield of 5.6% p.a.

The average unexpired loan term is 7.8 years.

Lender	Property	Maturity Date	Outstanding Principal	Interest rate
Deutsche Pfandbrief Bank	Berlin/Frankfurt	30/06/2026	16,500,000	1.31%
	Stuttgart/Hamburg	30/06/2023	14,000,000	0.85%
Credit Agricole ¹	Biarritz/Rennes	29/07/2023	18,200,000	3M Euribor + 1.35%
Total			48,700,000	

¹Reflects 70% ownership share for debt secured against Biarritz and Rennes properties.

The German loans are fixed rate for the duration of the loan term. The French loan is based on a margin above 3 month Euribor and the Company has acquired an interest rate cap to limit future potential interest

costs if Euribor were to increase. The strike rate on the cap is 1.25% p.a. The market value of the interest cap is positive at €0.2 million as at end of September 2016.

Outlook

The current portfolio comprises high quality institutional grade assets with strong income profiles, located in winning cities such as Paris and Berlin that are expected to benefit from further growth. Each asset has a business plan and asset management upside delivered through teams based in the target markets. Delivering on the opportunities to grow income and add value to these assets will be a key driver of the Company's performance.

The next phase of acquisitions will provide further diversification to the portfolio and additional value-add potential. The strategy remains unchanged and will focus on delivering income and capturing growth through investing in major cities and regions. Favoured locations include those winning cities with a diverse economic base, expanding populations, improving infrastructure and deep occupation and investment

markets. Within those cities our expert teams identify supply constrained locations, areas where there are competing demands for different uses and affordable rents which are capable of growth.

The Investment Manager remains vigilant to the investment risks during a time of economic and political change. However, a long term investment strategy based on strong fundamentals should enable the delivery of superior returns for shareholders.

As the Investment Manager continues the successful execution of the Company's strategy, the growth in net income will help drive the earnings to shareholders and will support the Company as it continues to build a portfolio of institutional quality assets with growth potential across Europe.

Tony Smedley
Head of Continental European Investment
Schroder Real Estate Investment Management Limited
13 December 2016

STRATEGIC REPORT

Strategic Review

Business Model

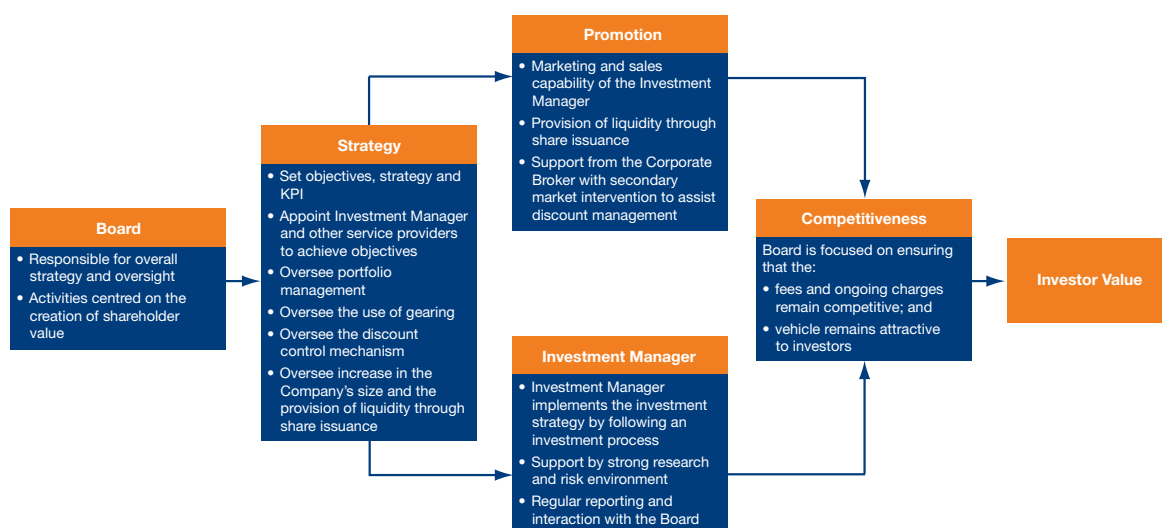
The Company carries on business as an investment trust. It has been approved by HM Revenue & Customs as an investment trust in accordance with Section 1158 of the Corporation Tax Act 2010, by way of a one-off application and it is intended that the Company will continue to conduct its affairs in a manner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

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

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

As at the date of this Report, the Company had ten subsidiaries, details of which are set out in note 11 on page 63.

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



Investment objective and policy

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

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

Investment Strategy

Details of the Company's investment strategy are set out on page 3.

Diversification and asset allocation

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

Strategic Review continued

Borrowings

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

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

Interest rate exposure and currency hedging

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

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

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

Investment restrictions and spread of investment risk

The Company invests and manages its assets with the objective of spreading risk and in accordance with its published investment policy. The Company ensures that the objective of spreading risk has been achieved by seeking to diversify its portfolio of assets by location, use, size, lease duration and tenant concentration. The properties described at pages 13 to 21 illustrate how the objective of spreading risk has been achieved.

The Company will not invest more than 10% of its Gross Assets in other listed closed-ended investment

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

Promotion

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

Promotion is focused via three channels:

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

Activities to promote the Company include 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.

Strategic Review continued

Key performance indicators

The Board measures the development and success of the Company's business through achievement of the Company's investment objectives, which is considered to be the principal key performance indicator for the Company.

The Board continues to review the Company's ongoing charges to ensure that the total costs incurred by shareholders in the running of the Company remain competitive when measured against peer group funds.

An analysis of the Company's costs, including management fees, Directors' fees and general expenses, is submitted to each Board meeting. The management fee is reviewed at least annually.

Corporate and social responsibility

Responsible investment and sustainability

The Board agrees with the Investment Manager that corporate social responsibility remains key to long term future business success.

The Investment Manager states in its Responsible Real Estate Investment Report, which is available at www.schroders.com/realestate:

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

Offering occupiers resource-efficient and flexible space is critical to ensure our investments are fit for purpose and sustain their value over the long term. As a landlord, we have the opportunity to help reduce running costs for our occupiers, increase employee productivity and well-being, and contribute to the prosperity of a location through building design and management. If we ignored such issues when considering asset management and investments, we 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 property industry with profound implications for both owners and occupiers.

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

Over 2016 the Investment Manager has continued to work with Evora (formerly Sustainable Commercial Solutions) to develop its Environmental Management System (EMS) which is aligned with ISO 14001. Evora works with the managing agents to develop the monitoring of the Company’s energy usage and efficiency as well as water and waste management with analysis and reporting on a regular basis. The aim

of this monitoring is to understand and improve building efficiency and operational costs.

The Investment Manager monitors policy and legislation relating to Environmental Social and Governance issues to develop its Environmental Management System and manage risk and compliance.

Mandatory Greenhouse Gas Emissions Statement

The Company is required to report on its annual greenhouse gas emissions (“GHG”). This statement applies for the period from listing to 30 September 2016.

The Company is in its first capital investment phase and has acquired seven properties located outside of the UK in Germany and France during the period to 30 September 2016. The first acquisition was completed on 31 March 2016 with six further properties acquired through to June 2016. As a result, seven properties were held by the Company on 30 September 2016. The management of these properties is being established by the Investment Manager and accurate energy supply and consumption information has still to be confirmed. The Investment Manager does not consider that appropriate information is available to make estimations of energy consumption levels for the periods of each property’s ownership. As such, a declaration of greenhouse gas emissions from the emission sources required under statute for the period from listing to 30 September 2016 has not been included in this Report.

The Investment Manager operates an environmental management system aligned to ISO 14001 – the international standard for environmental management. The environmental management system provides a structured approach to collect and analyse data, establish improvement programmes (to address GHG performance) and formulate key performance indicators. This will support future reporting requirements.

The Company’s GHG footprint will be calculated according to the principles of the GHG Protocol and reported in the next Annual Report covering the year to 30 September 2017, and it is intended that information for properties acquired during 2016 will also be included. Operational Control will be used as the organisational boundary and only emissions within the Company’s direct control will be included.

Strategic Review continued

The Company's GHG Statement in next year's Annual Report will cover all material GHG Protocol-defined scopes as set out below.

- Carbon Dioxide (CO₂)
- Methane (CH₄)
- Nitrous Oxide (N₂O)
- Hydrofluorocarbons (HFCs)
- Perfluorocarbons (PFCs) and
- Sulphur Hexafluoride (SF₆)

Any exclusions on the basis of materiality will be explained.

Energy purchased by the Company as landlord and recharged to tenants on a non-metered basis will be reported as part of the Company's Scope 1 and 2 emissions. Sub-metered tenant consumption will be reported as Scope 3 emissions. This is in line with EPRA guidelines and Appendix F of the GHG Protocol Corporate Standard.

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

Board gender diversity

As at 30 September 2016, the Board comprised three men. Candidates for Board vacancies are selected based on their skills and experience, which are matched against the balance of skills and experience of the overall Board taking into account the specific

criteria for the role being offered. Candidates are not specifically selected on the grounds of their gender but this is taken into account in terms of overall balance, skillset and experience.

Anti-bribery and corruption policy

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

Principal risks and uncertainties

The Board is responsible for the Company's system of risk management and internal control and for reviewing its effectiveness. The Board has adopted a detailed matrix of principal risks affecting the Company's business as an investment trust and has established associated policies and processes designed to manage and, where possible, mitigate those risks, which are monitored by the Audit and Valuation Committee on an ongoing basis. This system assists the Board in determining the nature and extent of the

risks it is willing to take in achieving its 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 2016.

Although the Board believes that it has a robust framework of internal controls 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.

Strategic Review continued

A summary of the principal risks and uncertainties faced by the Company which have remained unchanged throughout the period from listing to 30 September 2016, and actions taken by the Board and, where appropriate, its Committees, to manage and mitigate these risks and uncertainties, is set out below.

Risk	Mitigation and management
Strategic risk The Company's investment objectives may become out of line with the requirements of investors.	Appropriateness of the Company's investment remit periodically reviewed and success of the Company in meeting its stated objectives monitored. Marketing and distribution activity is actively reviewed.
Investment management risk The Investment Manager's investment strategy, if inappropriate, may result in the Company underperforming the market and/or peer group companies, leading to the Company and its objectives becoming unattractive to investors.	Review of the Investment Manager's compliance with the agreed investment restrictions, investment performance and risk against investment objectives and strategy; relative performance; the portfolio's risk profile; and appropriate strategies employed to mitigate any negative impact of substantial changes in markets, including any potential disruption to capital markets. Annual review of the ongoing suitability of the Investment Manager.
Custody risk Safe custody of the Company's assets may be compromised through control failures, including cyber hacking.	Depository verifies ownership and legal entitlement, and reports on safe custody of the Company's assets, including cash. Quarterly report from the Depository on its activities.
Gearing and leverage risk The Company utilises credit facilities. These arrangements increase the funds available for investment through borrowing. While this has the potential to enhance investment returns in rising markets, in falling markets the impact could be detrimental to performance.	Gearing is monitored and strict restrictions on borrowings imposed.
Accounting, legal and regulatory risk In order to continue to qualify as an investment trust, the Company must comply with the requirements of Section 1158 of the Corporation Tax Act 2010. Breaches of the UK Listing Rules, the Companies Act or other regulations with which the Company is required to comply, could lead to a number of detrimental outcomes.	Confirmation of compliance with relevant laws and regulations by key service providers. Shareholder documents and announcements, including the Company's published Annual Report, are subject to stringent review processes. Procedures have been established to safeguard against unauthorised disclosure of inside information.

Strategic Review continued

Risk

Mitigation and management

Service provider risk

The Company has no employees and has delegated certain functions to a number of service providers. Failure of controls and poor performance of any service provider could lead to disruption, reputational damage or loss.

Service providers appointed subject to due diligence processes and with clearly documented contractual arrangements detailing service expectations.

Regular reporting by key service providers and monitoring of the quality of services provided.

Review of annual audited internal controls reports from key service providers, including confirmation of business continuity arrangements.

Risk assessment and internal controls

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

impact on the Company's performance or condition. No significant control failings or weaknesses were identified from the Audit and Valuation Committee's ongoing risk assessment which has been in place from listing up to the date of this Report.

A full analysis of the financial risks facing the Company is set out in note 19 on pages 66 to 69.

Going concern and viability

Going concern

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

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

Viability statement

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

The Board conducted this review over a five year time horizon which is selected to match the period over which the Board monitors and reviews its financial performance and forecasting. The Investment Manager prepares five year total return forecasts for the Continental European commercial real estate market.

The Investment Manager uses these forecasts as part of analysing acquisition opportunities as well as for its annual asset level business planning process. At the annual Investment Manager visit the Board receives an overview of the asset level business plans which the Investment Manager uses to assess the performance of the underlying portfolio and therefore make investment decisions such as disposals and investing capital expenditure. The Company's principal borrowings are for a weighted duration of 7.8 years and the average unexpired lease term, assuming all tenants vacate at the earliest opportunity, is 6.5 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 28 and 29, which could negatively impact its ability to deliver the investment objective, strategy, liquidity and solvency. This includes consideration of a cash flow model prepared by the Investment Manager that analyses the sustainability of the Company's cash flows, dividend cover, compliance with bank covenants, and general liquidity requirements for a five year period.

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

GOVERNANCE

Board of Directors

Sir Julian Berney Bt.



Status: Independent Non-Executive Chairman

Date of appointment: 6 November 2015

Experience: Aged 64, has over 40 years' real estate experience. During this period he has worked on property investment portfolios in the UK, Scandinavia, and Continental Europe. In recent years he has assisted Cityhold, part of the National Pension Fund of Sweden, to acquire and manage its property investment portfolio in the UK and Continental Europe. Formerly he was a director at BNP Paribas Real Estate Investment Management with responsibilities to its European Fund and with Aberdeen Property Investors to develop its property funds. A large part of his career was at Jones Lang LaSalle where he was an International

Director and held a number of senior appointments including Chairman of the Scandinavian businesses, a director of the European Business Team, and a member of the European Capital Markets Board. He is a Fellow of the Royal Institution of Chartered Surveyors.

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

Current remuneration: £35,000 per annum

Material interests in any contract which is significant to the

Company's business: None

Shared directorships with any other Director of the Company: None

Mr Mark Patterson



Status: Independent Non-Executive Director

Date of appointment: 29 October 2015

Experience: Aged 62, is an international banker with over 25 years' experience in investment banking and strategic planning. He was formerly with Standard Chartered Bank where he had been responsible for the development and execution of Standard Chartered's Inorganic growth strategy and where he led a number of the Bank's acquisitions and investments as well as its own equity fundraisings. He had previously held senior investment banking positions with Australia and New

Zealand Bank and with Deutsche Bank. He graduated from Oxford University, qualified as a solicitor and worked with Slaughter and May prior to his move into banking.

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

Current remuneration: £30,000 per annum

Material interests in any contract which is significant to the

Company's business: None

Shared directorships with any other Director of the company: None

Mr Jonathan Thompson



Status: Independent Non-Executive Director

Date of appointment: 29 October 2015

Experience: Aged 58, was appointed chairman to the Argent group of real estate regeneration, development and investment businesses on 1 January 2015 having previously been a non-executive director and Chairman of the audit committee. He is a non-executive director at Strutt & Parker where he chairs the remuneration committee, is Chairman of the finance & investment committee and non-executive board member of the South West London & St George's Mental Health Trust and Vice-Chairman of the Investment Property Forum. An accountant by background he spent

32 years at KPMG including 12 years as Chairman of KPMG's International Real Estate & Construction business. He is a member of the Institute of Chartered Accountants and a Fellow of the Royal Institution of Chartered Surveyors.

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

Current remuneration: £30,000 per annum

Material interests in any contract which is significant to the

Company's business: None

Shared directorships with any other Director of the Company: None

GOVERNANCE

Report of the Directors

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 2016.

Dividend policy

Having paid its first interim dividend of 0.8 euro cents per share, the Board has now declared a second interim dividend of 0.9 euro cents per share for the period ended 30 September 2016, which is payable on 27 January 2017 to shareholders on the Register on 13 January 2017. This represents an annualised rate of 2.6% based on the euro equivalent of the issue price as at Admission. Dividends for the year amount to 1.7 euro cents per share.

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

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

Directors and their interests

The Directors of the Company and their biographical details can be found on page 30.

Ms Alexa Whitehead was a Director of the Company from its incorporation to 29 October 2015.

Mr Thompson and Mr Patterson were appointed as Directors on 29 October 2015 and Sir Julian Berney Bt. was appointed as a Director and Chairman on 6 November 2015. Details of Directors' share interests in the Company are set out in the Remuneration Report on page 43.

In accordance with the Articles and the UK Corporate Governance Code, at the forthcoming AGM, Sir Julian Berney Bt., Mr Thompson and Mr Patterson will seek election as Directors, this being the first AGM since their appointment. The Board has assessed the independence of all Directors. All Directors are considered to be independent in character and judgment, demonstrate commitment to their roles,

provide valuable contributions to the deliberations of the Board and remain free from conflicts with the Company and its Directors. It therefore recommends that shareholders vote in favour of their election.

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

Whilst the Board does not believe that length of service, by itself, necessarily affects a Director's independence of character or judgment, pursuant to the Articles, Directors will be required to retire each year if they have served more than nine years on the Board, but may then offer themselves for re-election at the AGM.

Share capital

As at 1 October 2015, the issued share capital of the Company was £1.00 represented by one ordinary share with a nominal value of £1.00 held by the subscriber to the Company's memorandum of association. On 29 October 2015, this ordinary share was subdivided into 10 ordinary shares with a nominal value of 10p each.

To enable the Company to re-register as a public company limited by shares, on 29 October 2015, 50,000 redeemable preference shares of £1.00 each

were issued to Leadenhall Securities Corporation Limited, a wholly owned subsidiary of Schroders plc, against its irrevocable undertaking to pay £1.00 in cash for each such share on or before First Admission. These shares were redeemed in full on 9 December 2015 out of the proceeds of the IPO.

By special resolution passed on 6 November 2015, the Company was granted the authority to allot ordinary shares up to an aggregate nominal amount of

Report of the Directors continued

£25,000,000 on a non-pre-emptive basis in connection with the IPO and placing programme.

On 9 December 2015, £107,500,000 was raised pursuant to the IPO and 107,500,000 ordinary shares were admitted to the premium segment of the Official List of the UK Listing Authority and to trading on the LSE's main market for listed securities as the primary listing and to the JSE's main board for listed securities as a secondary listing.

Further placings under the placing programme took place up to the end of the financial year as follows:

- On 14 December 2015, 450,000 ordinary shares were issued at a price of £1.00 per share; and
- On 12 February 2016, 13,284,686 ordinary shares were issued at a price of £1.04 per share.

Accordingly, at the end of the financial year, a total of 121,234,686 ordinary shares were in issue.

Following the year end, 12,500,000 ordinary shares at an issue price of £1.20 per share were placed under the placing programme. As at the date of this Report, the Company had 133,734,686 ordinary shares of 10p each in issue. No shares are held in Treasury. Accordingly, the total number of voting rights in the Company at the date of signing this Report is 133,734,686. Further details of the Company's share capital and changes during the year under review, are set out in note 15 on page 64.

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 in accordance with the terms of an Investment Management Agreement. The Investment Management Agreement, which is governed by the laws of England and Wales, can be terminated by either party on twelve months' notice (such notice to expire not earlier than 9 December 2018) or on immediate notice in the event of certain breaches or the insolvency of either party.

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

Investment Manager has in place appropriate professional indemnity cover.

The Schroders Group manages £375 billion (as at 30 September 2016) on behalf of institutional and retail investors, financial institutions and high net worth clients from around the world, invested in a broad range of asset classes across equities, fixed income, multi-asset and alternatives.

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

The management fee payable in respect of the period from listing to 30 September 2016 amounted to €1,401,582.

During the period from listing to 30 September 2016 the Investment Manager was entitled to receive a fee of €40,591 for secretarial services provided to the Company.

Details of all amounts payable to the Investment Manager are set out in note 3 on page 59.

The Board reviews the Investment Manager's performance at its quarterly Board meetings. In addition, the Board made its inaugural annual visit to

Report of the Directors continued

the Investment Manager's office in November 2016 to review portfolio strategy and the Investment Manager's capabilities. Subsequently, the Management Engagement Committee formally discussed the performance of the Investment Manager and its fees. On the basis of this review, and the extensive selection process undertaken prior to appointing the Investment Manager, the Board remains satisfied that the Investment Manager has the appropriate capabilities required to allow the Company to achieve its investment objective, and believes that the continuing appointment of the Investment Manager is in the interest of shareholders as a whole.

Depositary

Langham Hall UK Depositary LLP, which is authorised and regulated by the FCA, carries out certain duties of

a Depositary specified in the AIFM Directive including, in relation to the Company, as follows:

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

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

Directors' and officers' liability insurance and indemnity

Directors' and officers' liability insurance cover has been in place for the Directors since listing. The Articles provide, subject to the provisions of UK legislation, an indemnity for Directors in respect of costs which they may incur relating to the defence of

any proceedings brought against them arising out of their positions as Directors, in which they are acquitted or judgment is given in their favour by the Court. This indemnity has been in place since listing.

Substantial shareholdings

As at the date of this Report, the Company has received notifications in accordance with the FCA's Disclosure Guidance and Transparency Rule 5.1.2R of

the following interests in 3% or more of the voting rights attaching to the Company's issued share capital.

	Number of Ordinary Shares	Percentage of total voting rights
Schroders plc	24,651,594	18.43
Truffle Asset Management Pty Ltd	13,374,389	10.00
Investec Wealth and Investment Limited	10,853,277	8.12
Wesleyan Assurance Society	4,042,500	3.02

Post balance sheet events

In addition to the issue of 12,500,000 ordinary shares pursuant to the placing programme in October 2016 outlined above, following the year end the Company

entered into a conditional contract to acquire a fully leased office building in Paris. Further details of the acquisition are set out on page 21.

Report of the Directors continued

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report, the Strategic Report, the Report of the Directors, the Corporate Governance Statement, the Remuneration Report and the financial statements in accordance with applicable law and regulations.

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the

Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Each of the Directors, whose names and functions are listed on page 30, confirm that to the best of their knowledge:

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

By order of the Board

Sir Julian Berney Bt.
Chairman
13 December 2016

Corporate Governance

The Board is committed to high standards of corporate governance and has implemented a framework for corporate governance which it considers to be appropriate for an investment trust in order to comply with the principles of the UK Corporate Governance Code. The Financial Reporting Council published a revised version of the UK Corporate Governance Code in September 2014 (the "Code") which applies to accounting periods beginning on or after 1 October 2014 and the disclosures in this Statement report against its provisions. The Code is published by the

UK Financial Reporting Council and is available to download from www.frc.org.uk.

The Board has noted the publication of a further revised UK Corporate Governance Code in April 2016, which applies to financial years beginning on or after 17 June 2016. This latest update of the Code has been driven by the implementation of the EU's Audit Regulation and Directive and its impact on audit committees, and the Board is considering the Company's governance framework in light of the new provisions.

Compliance Statement

The UK Listing Authority requires all UK listed companies to disclose how they have complied with the provisions of the Code. This Corporate Governance Statement, together with the Statement of Directors' Responsibilities set out on page 34 and the Viability Statement and Going Concern Statement set out on page 29, indicate how the Company has complied with the Code's principles of good governance and its requirements on internal control.

The Board believes that the Company has, during the period from listing to 30 September 2016, complied with all relevant provisions set out in the Code, save in respect of the appointment of a Senior Independent

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

Operation of the Board

Chairman

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

Role and operation of the Board

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

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

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

The Board is satisfied that it is of sufficient size with an appropriate balance of diverse skills and experience, independence and knowledge of the Company, its sector and the wider investment trust industry, to enable it to discharge its duties and responsibilities

Report of the Directors continued

effectively and that no individual or group of individuals dominates decision making.

Directors' attendance at meetings

Board meetings are scheduled following the end of each quarter to deal with matters including: the setting and monitoring of investment strategy; approval of borrowings; review of investment performance, and

services provided by third parties. In addition, a strategy meeting is held each year. Additional meetings of the Board are arranged as required.

The number of quarterly meetings of the Board and its committees held during the period from listing to 30 September 2016 and the attendance of individual Directors is shown below. It is the intention of all Directors to attend the Annual General Meeting.

	Board	Audit and Valuation Committee	Nomination ¹ Committee	Management ¹ Engagement Committee
Sir Julian Berney Bt. (Chairman)	3/3	3/3	0/0	0/0
Jonathan Thompson	3/3	3/3	0/0	0/0
Mark Patterson	3/3	3/3	0/0	0/0

¹The Nomination Committee and the Management Engagement Committee did not meet during the period to 30 September 2016. The inaugural meetings of these Committees were held in November 2016.

In addition to its regular quarterly meetings, the Board met on various ad hoc occasions as necessary during the period from listing to 30 September 2016.

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

Training and development

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

Relations with shareholders

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

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

It is the intention of the Board that the Annual Report and Notice of the AGM be issued to shareholders so as to provide at least 20 working days' notice of the AGM. Shareholders wishing to lodge questions in

advance of the AGM are invited to do so by writing to the Company Secretary at the Company's registered office.

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

Conflicts of interest

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

Board evaluation

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

Board committees

In order to assist the Board in fulfilling its governance responsibilities, it has delegated certain functions to Committees. The roles and responsibilities of these Committees, together with details of work undertaken during the period from listing to 30 September 2016, is outlined over the next few pages.

The Committees of the Board have defined Terms of Reference which are available on the webpage www.schroders.co.uk/sereit. Membership of the Committees is set out on page 30.

Nomination Committee

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

Before the appointment of a new Director, the Nomination Committee prepares a description of the role and capabilities required for a particular appointment. While the Committee is dedicated to selecting the best candidate for the role, the Board also recognises the importance of diversity. The Board agrees that its members should overall possess a range of experience, knowledge, professional skills and personal qualities as well as independence necessary to provide effective oversight of the affairs of the Company. These qualities are taken into account in considering the appointment of a new Director. The

Board does not consider it appropriate or to be in the interests of shareholders as a whole to establish prescriptive diversity targets.

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

The Nomination Committee did not meet during the year under review. However, it did meet following the year end to consider its terms of reference and the overall composition of the Board, including Board balance, skills and diversity.

Management Engagement Committee

The role of the Management Engagement Committee is to ensure that the Investment Manager remains suitable to manage the portfolio, that the management contract is competitive and reasonable for shareholders, and that the Company maintains appropriate administrative and company secretarial support. The Committee also reviews the services provided by other service providers.

The Management Engagement Committee did not meet during the year under review. However, it did meet following the year end to consider its terms of reference, the performance and suitability of the Investment Manager, the terms and conditions of the Investment Management Agreement, the performance and suitability of other service providers, and the fees paid to Directors.

GOVERNANCE

Report of the Audit and Valuation Committee

The responsibilities and work carried out by the Audit and Valuation Committee since listing are set out in the following report. The duties and responsibilities of the Committee may be found in the Terms of Reference which are available on the Company's webpage. Membership of the Committee is as set out on page 30. The Board has satisfied itself that at least one of the Committee's members has recent and relevant financial experience.

The main activities undertaken by the Committee from the period since listing and up to the date of this report included:

- reviewing the property valuations prepared by Knight Frank LLP;

- considering its Terms of Reference;
- reviewing the Half Year and Annual Report and Accounts and related audit plan and engagement letter;
- reviewing the need for an internal audit function;
- reviewing the independence of the Auditors;
- evaluating the Auditors' performance; and
- reviewing the principal risks faced by the Company and the system of internal control.

Annual Report and Financial Statements

During its review of the Company's financial statements for the year ended 30 September 2016, the Audit and Valuation Committee considered the following significant issues, including principal risks and

uncertainties in light of the Company's activities, and issues communicated by the Auditors during its reporting:

Matter	Action
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Property Valuation

Property valuation is central to the business and is a significant area of judgement. Although valued by an independent firm of valuers, Knight Frank LLP, the valuation is inherently subjective.

Errors in valuation could have a material impact on the Company's net asset value.

The Audit and Valuation Committee reviewed the outcomes of the valuation process throughout the year and discussed the detail of each quarterly valuation with the Investment Manager at the Committee meetings.

The Audit and Valuation Committee met with Knight Frank LLP outside the formal meeting structure to discuss the process, assumptions, independence and communication with the Investment Manager.

Furthermore, as this is the main area of audit focus, the auditors contact the valuers directly and independently of the Investment Manager. The Audit and Valuation Committee receives detailed verbal and written reports from the Auditors on this matter as part of their half-year and year end reporting to the Audit and Valuation Committee.

On the basis of the above, the Audit and Valuation Committee concluded that the valuations were suitable for inclusion in the financial statements.

Report of the Audit and Valuation Committee continued

Matter	Action
Overall accuracy of the Annual Report and Accounts	Consideration of the draft Annual Report and Accounts and the letter from the Investment Manager in support of the letter of representation to the Auditors.
Calculation of the investment management fee	Consideration of methodology used to calculate the fee, matched against the criteria set out in the Investment Management Agreement.
Internal controls and risk management	Consideration of several key aspects of internal control and risk management operating within the Investment Manager and other key service providers.
Compliance with the investment trust qualifying rules in S1158 of the Corporation Tax Act 2010	Consideration of the Investment Manager's report confirming compliance.

As a result of the work performed, the Committee has concluded that the Annual Report for the year ended 30 September 2016, 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 34.

Effectiveness of the independent audit process

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

established, and on their own internal quality control procedures. The members of the Committee also were given the opportunity to meet with the Auditors without representatives of the Investment Manager present.

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

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

Independent Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office. Accordingly, resolutions to re-appoint PricewaterhouseCoopers LLP

as auditors to the Company, and to authorise the Directors to determine their remuneration will be proposed at the AGM.

Provision of information to the Auditors

The Directors at the date of approval of this Report confirm that, so far as each of them is aware, there is no relevant audit information of which the Company's Auditors are unaware; and each Director has taken all

the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

Report of the Audit and Valuation Committee continued

Provision of non-audit services

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

During the year, total fees for non-audit services amounted to €129,000, approximately 44% of fees paid to the Company's Auditors. These fees were paid in respect of the provision of services as the Company's Reporting Accountant during the IPO process and subsequent placings under the placing programme.

Internal audit

The Company does not have an internal audit function; it delegates to third parties most of its operations and does not employ any staff. The Audit and Valuation Committee will continue to monitor the system of

internal control in order to provide assurance that it operates as intended and the Directors will annually review whether an internal audit function is needed.

Jonathan Thompson
Audit Committee Chairman
13 December 2016

GOVERNANCE

Remuneration Report

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

A resolution to approve the Remuneration Policy will be proposed to shareholders at the forthcoming AGM to be held on 8 February 2017, following which the full

Policy provisions will continue to apply until the AGM to be held in 2020, unless a revised Remuneration Policy is approved prior to such AGM.

In addition, 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.

Directors' Remuneration Policy

The determination of the Directors' fees is a matter dealt with by the Management Engagement Committee and the Board.

It is the Board's policy to determine the level of Directors' remuneration having regard to amounts payable to non-executive directors in the industry generally, the role that individual directors fulfil in respect of Board and Committee responsibilities, and time committed to the Company's affairs, taking into account the aggregate limit of fees set out in the Company's Articles. This aggregate level of Directors' fees is currently set at £500,000 per annum and any increase requires approval by the Board and the Company's shareholders. The Chairman of the Board receives fees at a higher rate than the other Directors to reflect his additional responsibilities. Directors' fees are set at a level to recruit and retain individuals of sufficient calibre, with the level of knowledge, experience and expertise necessary to promote the success of the Company in reaching its short and long term strategic objectives.

The Board and its Committees exclusively comprise non-executive Directors. No Director past or present has an entitlement to a pension, and the Company has not, and does not intend to operate a share scheme for Directors or to award any share options or long term performance incentives to any Director. No

Director has a service contract with the Company. However, Directors have a letter of appointment. Directors do not receive exit payments and are not provided with any compensation for loss of office. No other payments are made to Directors other than the reimbursement of reasonable out-of-pocket expenses incurred in attending to the Company's business.

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

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

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

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

Directors' Annual Report on Remuneration

This Report sets out how the Directors' remuneration policy was implemented during the period from the Directors' appointment to 30 September 2016.

Remuneration Report continued

Fees paid to Directors

The Chairman receives a base fee of £35,000 and Directors receive a base fee of £30,000. During the period, the Chairman received an additional one-off fee of £2,900, and the Directors each received an additional one-off fee of £2,500, to reflect the work which they undertook on the IPO prior to their appointment as Directors.

The following amounts were paid by the Company to the Directors for services as non-executive Directors in respect of the period from their appointment to 30 September 2016.

Director	30 September 2016		
	Salary/fees £	Taxable benefits £	Total £
Sir Julian Berney Bt. ¹	36,964	–	36,964
Jonathan Thompson ²	30,247	–	30,247
Mark Patterson ²	30,247	–	30,247
Alexa Whitehead ³	–	–	–
Total	97,458	–	97,458

¹Appointed 6 November 2015.

²Appointed 29 October 2015.

³Ms Whitehead was a Director of the Company from incorporation on 9 January 2015 to 29 October 2015, the date Mr Thompson and Mr Patterson were appointed as Directors of the Company. The Company was dormant during the period that Ms Whitehead was a Director.

The information in the above table has been audited.

Consideration of matters relating to Directors' remuneration

Directors' remuneration was last reviewed by the Board and the Management Engagement Committee in November 2016. The members of the Board and the Management Engagement Committee at the time that remuneration levels were considered were as set out on page 30. 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 provided by the Investment Manager was taken into consideration.

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

Expenditure by the Company on remuneration and distributions to shareholders

The table below compares the remuneration paid to Directors to distributions made to shareholders during the year under review and the prior financial year. In considering these figures, shareholders should take

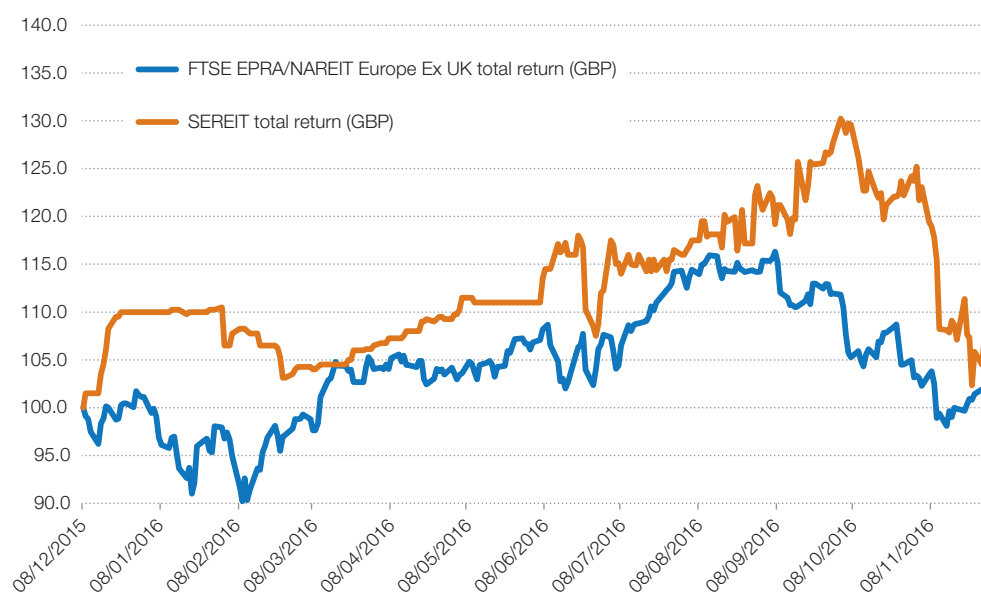
into account the euro dividend target during the first operating year of the Company to 30 September 2016 of 1.5 to 2% based on the euro equivalent of the issue price as at Admission.

	Year ended 30 September 2016 (£'000)	Year ended 30 September 2015 (£'000)
Remuneration payable to Directors	97	–
Dividends paid to shareholders	827	–

Remuneration Report continued

Share price total return

The graph below compares to Company's share price total return with the total return of the EPRA Developed Europe ex. UK Total Return Index, which is considered to be an appropriate index by which to assess the Company's relative performance.



Rebased to 100 as at 8 December 2015

Source: Datastream and Schroders

Directors' share interests

The Articles do not require Directors to own shares in the Company. The interests of Directors, including those of connected persons, from the date of listing of the Company to 30 September 2016 are set out below.

Director	Number of ordinary shares
Sir Julian Berney Bt.	10,000
Jonathan Thompson	10,000
Mark Patterson	10,000

The information in the above table has been audited.

There have been no changes to the interests of any of the Directors from the end of the period under review to the date of this Report.

Sir Julian Berney Bt.
Chairman
13 December 2016

FINANCIAL STATEMENTS

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

Report on the group financial statements

Our opinion

In our opinion, Schroder European Real Estate Investment Trust plc's group financial statements and parent company financial statement (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 2016 and of the group's loss 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 Article 4 of the IAS Regulation.

What we have audited

The financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), comprise:

- the Consolidated and Company Statement of Financial Position as at 30 September 2016;
- the Consolidated and Company Statement of Comprehensive Income for the year then ended;
- the Consolidated and Company Statement of Cash Flows for the year then ended;
- the Consolidated and Company Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

Our audit approach

Context

Schroder European Real Estate Investment Trust plc currently invests in French and German properties. The group structure includes French property companies for holding the French properties and Luxembourg property companies which hold the German properties, which are all held by a Luxembourg Sarl, a 100% subsidiary of the plc.

Overview

Materiality

- Overall group materiality: €2.3m which represents 1% of total assets
- Specific group materiality: Applied to the income statement; €150,000 which represents 5% of pre-tax loss.

Audit scope

- The group audit team carried out the audit of the consolidated financial statements of Schroder European Real Estate Investment Trust Plc and has the overall responsibility over the audit of the group.
- For the subsidiaries of the group, PwC Luxembourg performed the audit of the Luxembourg holding company and finance company and German property holding companies and PwC France performed the audit of the French property holding companies.
- Taken together, the entities in the scope of audit work accounted for over 95% of the Group's loss and assets.

Areas of focus

- Valuation of investment properties due to significance and subjectivity.

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

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating

whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
<p>Valuation of investment properties due to significance and subjectivity.</p> <p>Refer to page 38 (Report of the Audit and Valuation Committee), pages 61 and 62 (Notes to the financial statements – Note 10) and pages 56 and 57 (Significant accounting policies). The Group's investment properties were carried at €165.4 million as at 30 September 2016 and a revaluation loss of €4.5 million was accounted for under 'Net loss from fair value on investment property' in the Group statement of comprehensive income.</p> <p>Investment Property valuations are performed by a third party valuation firm (Knight Frank LLP) quarterly. The properties are valued in accordance with the RICS Valuation – Professional Standards guidance and applied to the financial statements in accordance with IAS 40.</p> <p>There are significant judgements and estimates to be made in relation to the valuation of the Group's investment properties. Where available, the valuations take into account evidence of market transactions for properties and locations comparable to those of the properties held by the Group.</p>	<p>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 have assessed the competence and capabilities of Knight Frank and verified their qualifications. We also assessed their independence by discussing the scope of their work and reviewing the terms of their engagements for unusual terms or fee arrangements. Based on this work, we are satisfied that the firms remain independent and competent and that the scope of their work was appropriate.</p> <p>We tested the data in the investment property valuation, including rental income and purchase price, by agreeing them to the underlying records held by the Group. The underlying property records were themselves tested back to signed and approved lease contracts or sale/purchase contracts and approved third party invoices as applicable. No issues were identified in this testing.</p> <p>We discussed the key assumptions used in the valuation with the external valuers independently of management and obtained the valuation reports for all properties. We read the valuation reports and confirmed that the valuation approach for each was in accordance with RICS Valuation.</p>

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

Area of focus	How our audit addressed the area of focus
<p>The most significant judgments and estimates affecting the valuations included estimated yields and estimated rental value (ERV) (as described in note 10 of the financial statements).</p> <p>The existence of significant estimation uncertainty and subjectivity, coupled with the fact that only a small percentage difference in individual property valuations when aggregated could result in material misstatement, is why we have given specific audit focus and attention to this area.</p>	<p>Professional Standards and IAS 40 are suitable for use in determining the carrying value for the purpose of the financial statements. We involved our internal valuation specialists to compare the valuations of each property to our independently formed market expectations and to discuss the valuation methodology and assumptions. Based on the work, we are satisfied that the valuations prepared by Knight Frank LLP are reasonable.</p>

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 geographic structure of the group, the accounting processes and controls, and the industry in which the group operates.

The Group has seven properties at the year end, held in six separate statutory entities in Luxembourg and France. The entities all fully consolidated into the group financial statements, with the non-controlling interests deducted in accordance with IFRS 3. All six property holding companies have been included fully in scope for the audit of the group financial statements.

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

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

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

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial

statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

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

Overall group materiality €2.3m.

How we determined it 1% of total assets.

Specific materiality €150,000.

How we determined it 5% of pre tax loss

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.

Component materiality For each component in our audit scope, we allocated a materiality that is less than our overall group materiality and the specific materiality for the income statement. The range of materiality allocated across components was between €100,000 and €1,500,000.

We agreed with the Audit and Valuation Committee that we would report to them misstatements identified during our audit above €88,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 29, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the group has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the group's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2006 reporting

In our opinion:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

- the information given in the Corporate Governance Statement set out on pages 35 to 37 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- information in the Annual Report is:
 - materially inconsistent with the information in the audited financial statements; or
 - apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or
 - otherwise misleading.

We have no exceptions to report.

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

- the statement given by the directors on page 34, in accordance with provision C.1.1 of the UK Corporate Governance Code (the “Code”), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the group’s position and performance, business model and strategy is materially inconsistent with our knowledge of the group acquired in the course of performing our audit. We have no exceptions to report.
- the section of the Annual Report on pages 38 and 39, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee. We have no exceptions to report.

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

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

- the directors' confirmation on page 27 of the Annual Report, in accordance with provision C.2.1 of the Code, 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. We have nothing material to add or to draw attention to.
- the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated. We have nothing material to add or to draw attention to.
- the directors' explanation on page 29 of the Annual Report, in accordance with provision C.2.2 of the Code, 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 material to add or to draw attention to.

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

Under the Listing Rules we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the group and the directors' 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

Adequacy of information and explanations received

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. We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Corporate governance statement

Under the Companies Act 2006 we are required to report to you if, in our opinion, a corporate governance statement has not been prepared by the parent company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 34, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent 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.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the parent company circumstances and have been consistently applied and adequately disclosed;

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

- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Craig Hughes (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers
LLP

Chartered Accountants and Statutory Auditors
London
13 December 2016

FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income

	Note	Group 30/09/2016 €000	Group 30/09/2015 €000 (unaudited)	Company 30/09/2016 €000	Company 30/09/2015 €000 (unaudited)
Rental income		4,891	-	-	-
Property operating expenses	4	(969)	-	-	-
Net rental and related income		3,922	-	-	-
Net loss from fair value adjustment on investment property	10	(4,537)	-	-	-
Realised loss on foreign exchange	20	(101)	-	(101)	-
Net change in fair value of financial instruments at fair value through profit or loss		(60)	-	-	-
Expenses					
Investment management fee	3	(1,402)	-	(1,402)	-
Valuers' and other professional fees		(425)	-	(127)	-
Administrators and accounting fee		(185)	-	(114)	-
Auditors' remuneration	5	(161)	-	(139)	-
Directors' fees	6	(129)	-	(129)	-
Other expenses	6	(122)	-	(88)	-
Total expenses		(2,424)	-	(1,999)	-
Operating loss before net finance costs		(3,200)	-	(2,100)	-
Finance income		5	-	5	-
Finance costs		(157)	-	-	-
Net finance costs/(income)		(152)	-	5	-
Loss before income tax		(3,352)	-	(2,095)	-
Income tax expense	7	(47)	-	-	-
Loss for the year		(3,399)	-	(2,095)	-
Other comprehensive loss items that may be subsequently reclassified to profit or loss					
Currency translation differences		(226)	-	(226)	-
Total other comprehensive loss		(226)	-	(226)	-
Total comprehensive loss for the year attributable to the equity holders		(3,625)	-	(2,321)	-
Total comprehensive loss attributable to:					
Owners of the parent		(2,742)	-	(2,321)	-
Non-controlling interests		(883)	-	-	-
		(3,625)	-	(2,321)	-
Basic and diluted loss per share attributable to the equity holders during the year (expressed in € per share)	8	(2.9c)	-	-	-

All items in the above statement are derived from continuing operations. The accompanying notes 1 to 24 form an integral part of the financial statements.

FINANCIAL STATEMENTS

Consolidated Statement of Financial Position

Assets	Note	Group 30/09/2016 €000	Group 30/09/2015 €000 (unaudited)	Company 30/09/2016 €000	Company 30/09/2015 €000 (unaudited)
Non current assets					
Investment property	10	165,365	–	–	–
Investment in subsidiaries	11	–	–	118,583	–
Non-current assets		165,365	–	118,583	–
Current assets					
Trade and other receivables	12	2,377	–	34,179	–
Interest rate derivative contracts	13	200	–	–	–
Cash and cash equivalents	14	58,476	–	6,068	–
Current assets		61,053	–	40,247	–
Total assets		226,418	–	158,830	–
Equity					
Share capital	15	13,994	–	13,994	–
Share premium		14,882	–	14,882	–
Retained earnings		(3,486)	–	(3,291)	–
Other reserves		132,370	–	132,595	–
Issued capital and reserves attributable to owners		157,760	–	158,180	–
Non-controlling interest		6,804	–	–	–
Equity		164,564	–	158,180	–
Liabilities					
Non current liabilities					
Interest-bearing loans and borrowings	16	58,724	–	–	–
Deferred tax		30	–	–	–
Non-current liabilities		58,754	–	–	–
Current liabilities					
Trade and other payables	17	3,084	–	650	–
Current income tax liabilities		16	–	–	–
Current liabilities		3,100	–	650	–
Total liabilities		61,854	–	650	–
Total equity and liabilities		226,418	–	158,830	–
Net Asset Value per Ordinary Share	18	135.7c	–	130.5c	–

The accompanying notes 1 to 24 form an integral part of the financial statements.

The financial statements on pages 52 to 70 were approved at a meeting of the Board of Directors held on 13 December 2016 and signed on its behalf by:

Sir Julian Berney Bt.
Chairman

FINANCIAL STATEMENTS

Consolidated Statement of Changes in Equity

Group	Note	Share capital €000	Share premium €000	Retained earnings €000	Other reserves €000	Sub-total €000	Non-controlling interests €000	Total Equity €000
Balance as at 9 January 2015		-	-	-	-	-	-	-
Total comprehensive profit for the year		-	-	-	-	-	-	-
Balance as at 30 September 2015		-	-	-	-	-	-	-
Loss for the year		-	-	(2,516)	-	(2,516)	(883)	(3,399)
Other comprehensive loss for the year		-	-	-	(226)	(226)	-	(226)
Dividends paid	9	-	-	(970)	-	(970)	-	(970)
New equity issuance		16,576	149,873	-	(4,977)	161,472	-	161,472
Share premium reduction		-	(122,157)	-	122,157	-	-	-
Unrealised foreign exchange		(2,582)	(12,834)	-	15,416	-	-	-
Investment from non-controlling interest		-	-	-	-	-	7,687	7,687
Balance as at 30 September 2016		13,994	14,882	(3,486)	132,370	157,760	6,804	164,564

Company	Note	Share capital €000	Share premium €000	Retained earnings €000	Other reserves €000	Sub-total €000	Non-controlling interests €000	Total €000
Balance as at 9 January 2015		-	-	-	-	-	-	-
Total comprehensive profit for the year		-	-	-	-	-	-	-
Balance as at 30 September 2015		-	-	-	-	-	-	-
Total comprehensive loss for the year		-	-	(2,321)	-	(2,321)	-	(2,321)
Dividends paid	9	-	-	(970)	-	(970)	-	(970)
New equity issuance		16,576	149,873	-	(4,978)	161,471	-	161,471
Share premium reduction		-	(122,157)	-	122,157	-	-	-
Unrealised foreign exchange		(2,582)	(12,834)	-	15,416	-	-	-
Balance as at 30 September 2016		13,994	14,882	(3,291)	132,595	158,180	-	158,180

The accompanying notes 1 to 24 form an integral part of the financial statements.

FINANCIAL STATEMENTS

Consolidated Statement of Cash Flows

	Note	Group 30/09/2016 €000	Group 30/09/2015 €000 (unaudited)	Company 30/09/2016 €000	Company 30/09/2015 €000 (unaudited)
Operating activities					
Loss before tax for the year		(3,352)	–	(2,095)	–
Adjustments for:					
Net valuation loss on fair value adjustment in investment property	10	4,537	–	–	–
Realised foreign exchange losses	20	101	–	101	–
Finance income		(5)	–	(5)	–
Finance expense		157	–	–	–
Movement in fair value of derivative interest rate contracts	13	60	–	–	–
Operating cash generated/(used) before changes in working capital		1,498	–	(1,999)	–
Increase in trade and other receivables		(2,376)	–	(422)	–
Increase in trade and other payables		2,728	–	644	–
Cash generated from/(used in) operations		1,850	–	(1,777)	–
Interest rate cap purchased		(260)	–	–	–
Finance costs paid		(903)	–	–	–
Interest received		5	–	5	–
Net cash generated/(used in) operating activities		692	–	(1,772)	–
Investing Activities					
Acquisition of investment property		(169,647)	–	–	–
Investment in shares of subsidiary companies		–	–	(118,583)	–
Loans to subsidiary companies		–	–	(33,757)	–
Net cash used in investing activities		(169,647)	–	(152,340)	–
Financing Activities					
New bank loan advance		56,500	–	–	–
New loan advance – non-controlling interest		10,753	–	–	–
Loan repayment – non-controlling interest		(7,689)	–	–	–
New equity – non controlling interest		7,687	–	–	–
Share issue net proceeds		161,477	–	161,477	–
Dividends paid		(970)	–	(970)	–
Net cash generated from financing activities		227,758	–	160,507	–
Net increase in cash and cash equivalents for the year		58,803	–	6,395	–
Opening cash and cash equivalents		–	–	–	–
Foreign exchange losses		(327)	–	(327)	–
Closing cash and cash equivalents	14	58,476	–	6,068	–

The accompanying notes 1 to 24 form an integral part of the financial statements.

FINANCIAL STATEMENTS

Notes to the Financial Statements

1. Significant accounting policies

Schroder European Real Estate Investment Trust plc ("the Company") is a closed-ended investment company incorporated in England and Wales. The condensed consolidated financial statements of the Company for the year ended 30 September 2016 comprise those of the Company and its subsidiaries (together referred to as the "Group"). The Group holds a portfolio of investment properties in Europe. The shares of the Company are listed on the London Stock Exchange and the Johannesburg Stock Exchange. The registered office of the Company is 31 Gresham Street, London, EC2V 7QA.

Statement of compliance

The consolidated financial statements of the group have been prepared in accordance with the Disclosure, Guidance and Transparency Rules of the United Kingdom Financial Conduct Authority and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (the "IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

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 and are consistent with those of the Half Year financial report.

Going concern

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

Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. These estimates and

associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The most significant estimates made in preparing these financial statements relate to the carrying value of investment properties, including those within joint ventures, which are stated at fair value. The Group uses external professional valuers to determine the relevant amounts. Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are disclosed in note 19.

Basis of consolidation

Subsidiaries

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

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.

Investment property

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

Acquisitions and disposals are recognised on unconditional exchange of contracts. Acquisitions are initially recognised at cost, being the fair value of the

Notes to the Financial Statements continued

consideration given, including transaction costs associated with the investment property.

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

As disclosed in note 21, the Group leases out all owned properties on operating leases. A property held under an operating lease is classified and accounted for as an investment property where the Group holds it to earn rentals, capital appreciation, or both. Any such property leased under an operating lease is classified as an investment property and carried at fair value.

Prepayments

Prepayments are carried at cost less any accumulated impairment losses.

Borrowing costs

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

Leases

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

Properties leased out under operating leases are included in investment property in the consolidated statement of financial position (Note 10).

Financial assets and liabilities

Non-derivative financial instruments

Assets

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

Trade and other receivables

Financial assets recognised in the consolidated statement of financial position as trade and other receivables are classified as loans and receivables. They are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment.

Cash and cash equivalents

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

Liabilities

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

Loans and borrowings

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

Trade and other payables

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

Derivative financial instruments ("derivatives")

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

Share capital

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

Dividends

Dividends are recognised as a liability in the period in which they are approved.

Impairment

Financial assets

A financial asset, other than those at fair value through profit and loss, is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be

Notes to the Financial Statements continued

impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in the profit and loss.

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

Non-financial assets

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

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

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

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

Revenue

Rental income

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

Service charges

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

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

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

Finance income and expenses

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

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

Expenses

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

Taxation

The Company and its subsidiaries are subject to UK 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.

Foreign currency translation

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

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

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in

Notes to the Financial Statements continued

profit or loss in the Statement of Comprehensive Income.

Income and expenses are translated into the presentation currency using average rate monthly rates. 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.

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.

2. New standards and interpretations

Standards, interpretations and amendments to published standards that are effective for the first time in 2016

The following new standards, interpretations or amendments, which are relevant to the Company's operations, became effective during the year:

- Annual improvements to IFRSs 2010-2012 Cycle (effective for accounting periods beginning on or after 1 July 2014)
- Annual improvements to IFRSs 2011-2013 Cycle (effective for accounting periods beginning on or after 1 July 2014)

New standards and interpretations not yet adopted

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

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

movements below cost to assess the impact of the amendment in future periods.

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

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. The Group expects IFRS 16 to have an immaterial impact on its current accounting practices.

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

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

3. Material agreements

Schroder Real Estate Investment Management Limited is the Investment Manager to the Company. The Investment Manager is entitled to a fee together with reasonable expenses incurred in the performance of its duties. The fee is payable monthly in arrears and shall be an amount equal to one twelfth of the aggregate of 1.1% of the EPRA NAV of the Company. The Investment Management Agreement can be terminated by either party on not less than twelve months written notice, such notice not to expire earlier than the third anniversary of Admission, or on immediate notice in the event of certain breaches of its terms or the insolvency of either party. The total charge to profit and loss during the year was €1,402,000 (2015: €Nil). At the year end €438,000 (2015: €Nil) was outstanding. Details of directors' fees are disclosed in Note 6, and details of loans from Mercialys, a related party, are disclosed in Note 16.

Notes to the Financial Statements continued

4. Property operating expenses

	Group 30/09/2016 €000	Company 30/09/2016 €000	Group 30/09/2015 €000	Company 30/09/2015 €000
Repairs and maintenance	67	–	–	–
Service charge, insurance and utilities on vacant units	615	–	–	–
Real estate taxes	230	–	–	–
Property management fees	53	–	–	–
Other	4	–	–	–
	969	–	–	–

5. Auditors' remuneration

The Group's total audit fees for the year are €161,000 (2015: €Nil).

Non-audit fees charged to the Group by the auditor during the period were €129,000 (2015: €Nil)

6. Other expenses

	Group 30/09/2016 €000	Group 30/09/2015 €000	Company 30/09/2016 €000	Company 30/09/2015 €000
Directors' and officers' insurance premium	9	–	9	–
Regulatory costs	25	–	12	–
Marketing	8	–	8	–
Professional fees	11	–	11	–
Other expenses	69	–	48	–
	122	–	88	–

Directors' fees

Directors are the only officers of the Company and there are no other key personnel. The Directors' annual remuneration for services to the Group was €129,000 (2015: €Nil), equivalent to £97,457 as set out in the Remuneration Report on pages 41 to 43.

7. Taxation

	30/09/2016 €000	30/09/2015 €000
Tax expense in year	47	–
Reconciliation of effective tax rate		
Loss before tax	(3,352)	–
Effect of:		
Tax (credit)/charge at weighted average corporation tax rate of 25.44% (2015 – 0%)	(853)	–
Tax effect on net revaluation loss	1,169	–
Minimum Luxembourg tax charges	17	–
Deferred tax charge on revaluation gain	30	–
Utilisation of capital allowance, effect of different tax rates in subsidiaries and other adjustments	(316)	–
Total tax expense in the year	47	–

Notes to the Financial Statements continued

8. Earnings per share

Basic earnings per share

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

	2016	2015
Net loss attributable to shareholders	(€3,399,000)	–
Weighted average number of ordinary shares in issue	118,319,687	–
Basic earnings per share (cents per share)	(2.9)	–

Diluted earnings per share

The Group has no dilutive potential ordinary shares, hence the diluted loss per share is the same as the basic loss per share.

Headline earnings per share

The headline earnings for the Group is 0.7 euro cents per share as detailed on page 73.

9. Dividends paid

In respect of	Ordinary Shares	Rate (cents)	30/09/2016 €000
First interim dividend for the year ended 30 September 2016, dividend paid 7 September 2016	121,234,686	0.8	970

A second interim dividend for the year ended 30 September 2016 of 0.9 euro cents per share was declared on 13 December 2016 and will be paid on 27 January 2017 to shareholders on the register on 13 January 2017.

10. Investment property

Group

	Leasehold €000	Freehold €000	Total €000
Fair value as at 30 September 2015	–	–	–
Property acquisitions	–	158,639	158,639
Acquisition costs	–	11,263	11,263
Net valuation loss on investment property	–	(4,537)	(4,537)
Fair value as at 30 September 2016	–	165,365	165,365

Fair value of investment properties as determined by the valuer totals €165,500,000 (2015: €Nil). The fair value of investment properties disclosed above includes a tenant incentive adjustment of €135,000 (2015: €Nil).

The net valuation loss on investment property of €4,537,000 consists of net property revaluation losses of €4,402,000 and the above mentioned tenant incentive adjustment of €135,000.

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

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

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

Notes to the Financial Statements continued

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

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

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

Quantitative information about fair value measurement using unobservable inputs (Level 3) as at 30 September 2016

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

Notes:

¹ Yields based on rents receivable after deduction of head rents and non-recoverables

² Weighted by Market Value

Sensitivity of measurement to variations in the significant unobservable inputs

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

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

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

Estimated movement in fair value of investment properties at 30 September 2016	Retail €000	Office €000	Total €000
Increase in ERV by 5%	2,800	3,500	6,300
Decrease in ERV by 5%	2,850	3,500	6,350
Increase in net initial yield by 0.25%	4,300	2,500	6,800
Decrease in net initial yield by 0.25%	4,700	6,950	11,650

Notes to the Financial Statements continued

11. Investment in subsidiary undertakings

Company

	2016 €000	2015 €000
Balance as at 30 September 2015	–	–
Additions	118,583	–
Balance as at 30 September 2016	118,583	–

The subsidiary companies listed below are those which were part of the group at 30 September 2016. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership of interests held equals the voting rights held by the group.

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

The non-controlling interest within these financial statements relates to the 30% minority holding of SCI Rennes Anglet.

12. Trade and other receivables

	Group 30/09/2016 €000	Group 30/09/2015 €000	Company 30/09/2016 €000	Company 30/09/2015 €000
Rent receivable	596	–	–	–
Monies held by property managers	923	–	–	–
Amounts due from subsidiary undertakings	–	–	33,947	–
Other debtors and prepayments	858	–	232	–
	2,377	–	34,179	–

13. Derivative financial instruments

The group has an interest rate cap in place purchased for €260,000 from Credit Agricole Corporate and Investment Bank on 10 August 2016 in connection to a €26.0m loan facility drawn from the same bank with a maturity date of July 2023. The cap interest rate is 1.25% with a floating rate option being Euribor 3 months. In line with IFRS 9 this derivative is reported in the financial statements at its fair value. As at 30 September 2016 the fair value of the interest rate cap was €200,000 reflecting a decline in the interest rate curve since the interest rate cap was purchased. Transaction costs incurred in obtaining the instrument are being amortised over the extended period of the above mentioned loan.

Notes to the Financial Statements continued

In addition the Group has granted a call option to Mercialys group on the assets and shares of SCI Rennes Anglet, a subsidiary of the Group. The option is only exercisable on 31 July 2018 with 6 months written advance notice, and under certain conditions as follows:

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

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

14. Cash and cash equivalents

	Group 30/09/2016 €000	Group 30/09/2015 €000	Company 30/09/2016 €000	Company 30/09/2015 €000
Cash at bank and in hand	58,476	-	6,068	-

15. Issued capital and reserves

Share capital

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

Issued share capital

On 9 December 2015 the Company issued 107,500,000 new ordinary shares under the placing and offer for subscription programme at a price of £1.00 per share. A further 450,000 new ordinary shares were issued under the placing programme at a price of £1.00 per share on 14 December 2015.

On 12 February 2016, a further 13,284,686 shares were issued under the placing programme at a price of £1.04 per share.

Issue costs in relation to the placings were €4,762,000.

On 23 March 2016 a reduction of share premium of £96,750,000 (€122,157,000) was approved.

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

Following the year end, an additional 12,500,000 ordinary shares were issued pursuant to the placing programme at an issue price of £1.20 per share, bringing the total number of shares in issue as at the date of this report to 133,734,686.

16. 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 19.

	Group 30/09/2016 €000	Group 30/09/2015 €000	Company 30/09/2016 €000	Company 30/09/2015 €000
At 30 September 2015	-	-	-	-
Receipt of borrowings	67,253	-	-	-
Repayment of borrowings	(7,689)	-	-	-
Capitalisation of finance costs	(861)	-	-	-
Amortisation of finance costs	21	-	-	-
At 30 September 2016	58,724	-	-	-

Notes to the Financial Statements continued

Bank Loan – Deutsche Pfandbriefbank AG

On 3 August 2016 the Group entered into two loan facilities totalling €30.50 million with Deutsche Pfandbriefbank AG.

Of the total amount drawn €14.0 million matures on 30 June 2023 and carries a fixed interest rate of 0.85% payable quarterly, the remaining €16.5 million matures on 30 June 2026 and carries a fixed interest rate of 1.31%.

An additional fixed fee of 0.30% per annum is payable until certain conditions relating to the Frankfurt property are fulfilled.

The facility was subject to a 0.35% arrangement fee which is being amortised over the period of the loan.

The debt has an LTV covenant of 65% and the debt yield must be at least 8.0%

The lender has a charge over property owned by the Group with a value of €66,300,000. A pledge of all shares in the borrowing Group companies is in place.

Bank Loan – Credit Agricole Corporate and Investment Bank

The Group entered into a €26.0 million loan facility with Credit Agricole Corporate and Investment Bank on 29 July 2016.

The facility matures on 29 July 2023 and carries an interest rate of 1.35% plus Euribor 3 months per annum payable quarterly. The facility was subject to a 0.85% arrangement fee which is being amortised over the period of the loan.

The debt has an LTV covenant of 65% and the ICR should be above 200%

The loan is collateralised by property assets owned by the Group with a carrying value of €57,800,000.

Business Partner Loan – Mercialys

On 28 June 2016 the Group entered into a €10.75 million loan facility with Mercialys, a 30% minority investor in the share capital of SCI Rennes Anglet, a 70% owned subsidiary of the Group. The loan matures on 28 June 2031 and carries an interest rate of 2.08% payable annually. The interest can be capitalised if not paid. On 1 August 2016 €7.69 million was repaid leaving a loan balance outstanding as at 30 September 2016 of €3.06 million.

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

17. Trade and other payables

	Group 30/09/2016 €000	Group 30/09/2015 €000	Company 30/09/2016 €000	Company 30/09/2015 €000
Rent received in advance	50	–	–	–
Rental deposits	684	–	–	–
Interest payable	95	–	–	–
Retention payable	50	–	–	–
Accruals	1,713	–	650	–
Trade payables	492	–	–	–
	3,084	–	650	–

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

Included within accruals are amounts relating to management fees of €438,000, real estate taxes of €224,000 and property expenses of €347,000.

18. Net Asset Value per Ordinary Share

The NAV per Ordinary Share of 135.7 cents is based on the net assets of €164,564,000 and 121,234,686 Ordinary Shares in issue at 30 September 2016.

Notes to the Financial Statements continued

19. Financial instruments, properties and associated risks

Financial risk factors

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

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

Market price risk

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

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

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

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

Currency risk

The Group's policy is for group entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. Where group entities have liabilities in a currency other than their functional currency (and have insufficient reserves of that currency to settle them), cash already in that currency will, where possible, be transferred from elsewhere within the Group.

The functional currency of all entities in the Group is the euro. The table below details the Group's exposure to foreign currencies at the year-end date:

	Group 30/09/2016 €000	Group 30/09/2015 €000	Company 30/09/2016 €000	Company 30/09/2015 €000
Net Assets				
Euros	163,934	–	158,065	–
Sterling	713	–	713	–
Rand	52	–	52	–
	164,699	–	158,830	–

Credit risk

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

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

In respect of credit risk arising from other financial assets, which comprise cash and cash equivalents, 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.

Notes to the Financial Statements continued

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

Bank	Ratings as at 30/09/2016	Group balance at 30/09/2016 €000	Company balance at 30/09/2016 €000
HSBC	AA-	55,133	6,016
ING Bank	A	2,722	–
BNP Paribas	A	438	–
Commerzbank	BBB+	131	–
First National Bank	BBB-	52	52
		58,476	6,068

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

	30 September 2016 Carrying amount €000	30 September 2015 Carrying amount €000
Office	363	–
Industrial	–	–
Retail	234	–
	597	–

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

	30 September 2016 Carrying amount €000	30 September 2015 Carrying amount €000
0-30 days	566	–
31-60 days	4	–
61-90 days	2	–
91 days plus	25	–
	597	–

Liquidity risk

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

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

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

Notes to the Financial Statements continued

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

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

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 2016 the fair value of the Group's €59.7 million loan was equal to its carrying amount (2015: €nil).

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

Fair values

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

The fair value hierarchy levels are as follows:

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

There have been no transfers between Levels 1, 2 and 3 during the year (2015: none).

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

Investment property- level 3

Fair value is based on valuations provided by an independent firm of chartered surveyors and registered appraisers. These values were determined after having taken into consideration recent market transactions for similar properties in similar locations to the investment properties held by the Group. The fair value hierarchy of investment property is level 3. See Note 11 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 2016 the fair value of the Group's loans was equal to its book value.

Trade and other receivables/payables– level 2

All receivables and payables are deemed to be due within one year and as such the notional amount is considered to reflect the fair value.

Derivatives – level 3

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

Capital management

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

Notes to the Financial Statements continued

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

	30/09/2016 €000	30/09/2015 €000
Debt		
Fixed rate loan facilities	58,819	–
Equity		
Called-up share capital	28,876	–
Reserves	128,884	–
Total debt and equity	216,579	–

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

20. Foreign exchange

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

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

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

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

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

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

21. Operating leases

The Group leases out its investment property under operating leases. At 30 September 2016 the future minimum lease receipts under non-cancellable leases are as follows:

	30/09/2016 €000	30/09/2015 €000
Less than one year	9,410	–
Between one and five years	34,648	–
More than five years	15,216	–
	59,274	–

The total above comprises the total contracted rent receivable as at 30 September 2016.

22. Related party transactions

Material agreements are disclosed in note 3, and loans from related parties are disclosed in note 16.

Notes to the Financial Statements continued

23. Capital commitments

At 30 September 2016 the Group had no capital commitments.

24. Post balance sheet events

New share issue

On 24 October 2016 commitments for 12,500,000 new Ordinary Shares were received at a price of 120 pence per share, raising gross proceeds of approximately £15 million. The New Shares represent approximately 10.3% of the issued ordinary share capital of the Company prior to the Placing.

Acquisition of Investment Property

On 28 October 2016, the Group entered into a conditional contract to acquire a fully leased office building in Paris, Le Directoire, Saint-Cloud, for €30.1m, reflecting a net initial yield of 9.5%.

FINANCIAL STATEMENTS

EPRA and Headline Performance Measures (unaudited)

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

EPRA performance measures: Summary Table

	30/09/2016 Total €000	30/09/2015 Total €000
EPRA earnings	1,013	–
EPRA earnings per share	0.9	–
EPRA NAV	157,560	–
EPRA NAV per share	130.0	–
EPRA NNNAV	157,560	–
EPRA NNNAV per share	130.0	–
EPRA Net Initial Yield	5.1%	–
EPRA topped-up Net Initial Yield	5.1%	–
EPRA Vacancy Rate	0%	–

a. EPRA earnings and EPS

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

	30/09/2016 €000	30/09/2015 €000
IFRS loss after tax	(3,625)	–
Adjustments to calculate EPRA Earnings:		
Net valuation loss on investment property	4,537	–
Exchange differences on monetary items (unrealised)	226	–
Adjustment for Minority Interests net revenue	(185)	–
Finance costs: interest rate cap	60	–
EPRA earnings	1,013	–
Weighted average number of ordinary shares	118,319,687	–
IFRS earnings per share (cents per share)	(2.9)	–
EPRA earnings per share (cents per share)	0.9	–

EPRA and Headline Performance Measures (unaudited) continued

b. EPRA NAV per share

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

	30/09/2016 €000	30/09/2015 €000
IFRS NAV per financial statements	164,564	–
Adjustment for Minority Interests	(6,804)	–
Adjustment for fair value of financial instruments	(200)	–
EPRA NAV	157,560	–
Shares in issue at end of year	121,234,686	–
IFRS NAV per share	135.7	–
EPRA NAV per share	130.0	–

c. EPRA NNNAV per share

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

	30/09/2016 €000	30/09/2015 €000
EPRA NAV	157,560	–
Adjustments to calculate EPRA NNNAV:		
Fair value of debt	–	–
EPRA NNNAV	157,560	–
EPRA NNNAV per share	130.0	–

d. EPRA Net Initial Yield

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

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

	30/09/2016 €000	30/09/2015 €000
Investment property – wholly owned	148,160	–
Investment property – share of joint ventures and funds	–	–
Complete property portfolio	148,160	–
Allowance for estimated purchasers’ costs	9,954	–
Gross up completed property portfolio valuation	159,423	–
Annualised cash passing rental income	8,088	–
Property outgoings	–	–
Annualised net rents	8,088	–
Notional rent expiration of rent free periods	–	–
Topped-up net annualised rent	8,088	–
EPRA NIY	5.1%	–
EPRA “topped-up” NIY	5.1%	–

EPRA and Headline Performance Measures (unaudited) continued

e. Headline Earnings Reconciliation

	30/09/2016 €000	30/09/2015 €000
Loss after tax	(3,625)	–
Adjustments to calculate Headline Earnings exclude:		
Net valuation loss on investment property	4,537	–
Adjustment for Minority Interests net revenue	(185)	–
Finance costs: interest rate cap	60	–
Headline earnings	787	–
Weighted average number of ordinary shares	118,319,687	–
Headline earnings per share (cents per share)	(0.7)	–

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

GLOSSARY AND SHAREHOLDER INFORMATION

Glossary

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

AGM means the Annual General Meeting of the Company to be held on Wednesday, 8 February 2017 at 12.00 noon at 100 Wood Street, London EC2V 7ER.

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

Companies Act means the Companies Act 2006

Company is Schroder European Real Estate Investment Trust plc.

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

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

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

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

EPRA is European Public Real Estate Association.

EPRA NNAV 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 adjusted net assets.

Group is the Company and its subsidiaries.

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

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

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

JSE is the Johannesburg Stock Exchange.

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

LSE is the London Stock Exchange.

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

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

Net Asset Value per share ("NAV") is shareholders' funds divided by the number of shares in issue at the period end.

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

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

Explanation of Special Business

THIS SECTION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

The AGM of the Company will be held on Wednesday, 8 February 2017 at 12.00 noon at 100 Wood Street, London EC2V 7ER. The formal Notice of Meeting is set out on pages 77 and 78. The following paragraphs explain the special business to be put to the AGM.

Resolution 9 – Directors’ authority to allot shares (ordinary resolution) and Resolution 10 – power to disapply pre-emption rights (special resolution)

The Directors are seeking authority to allot a limited number of unissued ordinary shares for cash without first offering them to existing shareholders in accordance with statutory pre-emption procedures.

Appropriate resolutions will be proposed at the forthcoming AGM and are set out in full in the Notice of AGM. An ordinary resolution will be proposed to authorise the Directors to allot shares up to a maximum aggregate nominal amount of £1,337,346 (being 10% of the issued share capital as at the date of the Notice of the AGM). A special resolution will also be proposed to give the Directors authority to allot securities for cash on a non pre-emptive basis up to a maximum aggregate nominal amount of

£1,337,346 (being 10% of the Company’s issued share capital as at the date of the Notice of the AGM). This authority includes shares that the Company sells or transfers that have been held in Treasury. The Board has established guidelines for Treasury shares and will only re-issue shares held in Treasury at a price equal to or greater than the Company’s net asset value (inclusive of current year income) plus any applicable costs.

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

If approved, both of these authorities will expire at the conclusion of the AGM in 2018 unless renewed, varied or revoked earlier.

Resolution 11 – Authority to make market purchases of the Company’s own shares (special resolution)

At an AGM held on 6 November 2015, the Company was granted authority to make market purchases of up to 16,114,250 ordinary shares of 10p each (being 14.99% of the issued ordinary shares immediately following First Admission). No shares have been bought back under this authority and the Company therefore has remaining authority to purchase up to 16,114,250 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

Explanation of Special Business continued

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 shares so purchased would be held in Treasury. If renewed, the authority to be given at the 2017 AGM will lapse at the conclusion of the AGM in 2018 unless renewed, varied or revoked earlier.

Recommendation

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

Sir Julian Berney Bt.
Chairman
13 December 2016

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, 8 February 2017 at 12.00 noon at 100 Wood Street, London EC2V 7ER to consider the following resolutions of which resolutions 1 to 9 will be proposed as ordinary resolutions and resolutions 10 and 11 will be proposed as special resolutions:

1. To receive the Report of the Directors and the audited Accounts for the year ended 30 September 2016.
2. To approve the Directors' Remuneration Policy.
3. To approve the Annual Report on Remuneration for the year ended 30 September 2016.
4. To elect Sir Julian Berney Bt. as a Director of the Company.
5. To elect Mr Jonathan Thompson as a Director of the Company.
6. To 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 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."
10. To consider and, if thought fit, to pass the following resolution as a special resolution:

"That, subject to the passing of Resolution 9 set out above, the Directors be and are hereby empowered, pursuant to Section 571 of the Act, to allot equity securities (including any 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 the said Resolution 9 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."
11. To consider and, if thought fit, to pass the following resolution as a special resolution:

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

 - (a) the maximum number of Shares which may be purchased is 20,046,829, representing 14.99% of the Company's issued ordinary share capital as at the date of this Notice;
 - (b) the maximum price (exclusive of expenses) which may be paid for a Share shall not exceed the higher of:
 - i) 105% of the average of the middle market quotations for the Shares as taken from the London Stock Exchange Daily Official List for the five business days preceding the date of purchase; and
 - ii) the last independent bid and the highest current independent bid on the London Stock Exchange;

Notice of Annual General Meeting continued

- (c) the minimum price (exclusive of expenses) which may be paid for a Share shall be 10p, being the nominal value per Share;
- (d) this authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company in 2018 (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
13 December 2016**

**Registered Office:
31 Gresham Street
London EC2V 7QA**

Explanatory Notes to the Notice of Meeting

Information for shareholders on the UK register

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

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

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

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

A proxy form must be signed and dated by the shareholder or his or her attorney duly authorised in writing. In the case of joint holdings, any one holder may sign this form. The vote of the senior joint holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder and for this purpose seniority will be determined by the order in which the names appear on the Register of Members in respect of the joint holding. To be valid, proxy form(s) must be completed and returned to the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, in the enclosed envelope together with any power of attorney or other authority under which it is signed or a copy of such authority certified notarially, to arrive no later than 48 hours before the time fixed for the meeting, or an adjourned meeting. Shareholders may also appoint a proxy to vote on the resolutions being put to the meeting electronically at www.sharevote.co.uk. Shareholders who are not registered to vote electronically will need to enter the Voting ID and Shareholder Reference ID set out in their personalised proxy form. Alternatively, shareholders who have already registered with Equiniti's Shareview service can appoint a proxy by logging onto their portfolio at www.shareview.co.uk and clicking 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, 6 February 2017. 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.

Explanatory Notes to the Notice of Meeting continued

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, 6 February 2017, 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, 6 February 2017 shall be disregarded in determining the right of any person to attend and vote at the meeting.
4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST manual. The CREST manual can be viewed at www.euroclear.com. A CREST message appointing a proxy (a "CREST proxy instruction") regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction previously given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time for receipt of proxy appointments.
5. Copies of the terms of appointment of the non-executive Directors and a statement of all transactions of each Director and of his family interests in the shares of the Company, will be available for inspection by any member of the Company at the registered office of the Company during normal business hours on any weekday (English public holidays excepted) and at the Annual General Meeting by any attendee, for at least 15 minutes prior to, and during, the Annual General Meeting. None of the Directors has a contract of service with the Company.
6. The biographies of the Directors offering themselves for election are set out on page 30 of the Company's Annual Report and Accounts for the year ended 30 September 2016.
7. As at 13 December 2016, 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 13 December 2016 was 133,734,686.
8. A copy of this Notice of meeting, which includes details of shareholder voting rights, together with any other information as required under Section 311A of the Companies Act 2006, is available from the Company's webpage, www.schroders.co.uk/sereit.
9. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the Annual General Meeting any question relating to the business being dealt with at the AGM which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered or if to do so would involve the disclosure of confidential information.

Information for shareholders on the South African register

Certificated shareholder and own-name registered dematerialised shareholders

1. Each shareholder is entitled to appoint one or more proxies (none of whom need be a shareholder of the Company) to attend, speak, vote or abstain from voting in place of that shareholder at the Annual General Meeting of shareholders.
2. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting "the Chairman of the Meeting," but any such deletion must be initialled by the shareholder. The person whose name stands first on the form of proxy and who is present at the Annual General Meeting of shareholders will be entitled to act as proxy to the exclusion of those whose names follow.
3. Forms of proxy must be lodged with or posted to the transfer secretaries, Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107) or faxed to +27 11 688-5238 to be received by no later than 2.00 p.m. (Johannesburg time) on Monday, 6 February 2017.

Explanatory Notes to the Notice of Meeting continued

4. The completion and lodging of a form of proxy will not preclude the shareholder from attending the Annual General Meeting and speaking and voting in person to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
5. If the signatory does not indicate in the appropriate place on the face of the proxy how he/she wishes to vote in respect of any resolutions, his/her proxy shall be entitled to vote as he/she deems fit in respect of that resolution. The Chairman intends to vote all available undirected proxies in favour of all Resolutions.
6. The Chairman of the Meeting shall be entitled to decline to accept the authority of a person signing this form of proxy:
 - under a power of attorney; or
 - on behalf of a company;unless the power of attorney or authority is deposited at the office of “the Company’s transfer secretaries, not less than 48 hours before the time appointed for the holding of the Annual General Meeting.
7. The Chairman of the Meeting may reject or accept any form of proxy, which is completed and/or received other than in accordance with these notes, provided that the Chairman is satisfied as to the manner in which the shareholder concerned wishes to vote.
8. Subject to note (2) above, a deletion of any printed matter and the completion of any blank spaces on the form of proxy need not be signed or initialled. Any alterations must be signed, not initialled.
9. If the shareholding is not indicated on the form of proxy, the proxy will be deemed to be authorised to vote the total shareholding registered in the shareholder’s name.
10. A vote given in terms of an instrument of proxy shall be valid in relation to the Annual General Meeting, notwithstanding the death of the person granting it, or the revocation of the proxy, or the transfer of the shares in the Company in respect of which the vote is given, unless an intimation in writing of such death, revocation or transfer is received by the transfer secretaries no less than 48 hours before the commencement of the Annual General Meeting.
11. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (e.g. for a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to this form of proxy unless previously recorded by the Company or its transfer secretaries or waived by the Chairman of the Meeting.
12. Where a form of proxy is signed under power of attorney, such power of attorney must accompany this form of proxy, unless it has previously been registered with the Company or the transfer secretaries.
13. Where there are joint holders of shares and if more than one such joint holder is present or represented thereat, then the person whose name appears first in the register of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof.
14. Where shares are held jointly, all joint holders are required to sign.
15. A minor must be assisted by his/her parent or guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries of the Company

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

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

Shareholder Information

Webpage and share price information

The Company has a dedicated webpage, which may be found at www.schroders.co.uk/sereit. The webpage has been designed to be utilised as the Company's primary method of electronic communication with shareholders. It contains details of the Company's ordinary share price and copies of Report and Accounts and other documents published by the Company as well as information on the Directors, Terms of Reference of Committees and other governance arrangements. In addition, the webpage contains 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.

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 ("AIFM") Directive

Certain pre-sale, regular and periodic disclosures required by the AIFM Directive may be found either in this Annual Report or on the website www.schroders.co.uk/its.

The Company's leverage policy and details of limits on leverage required under the AIFM Directive are published on the website at www.schroders.co.uk/its.

Preferential treatment of investors

The Company's investors purchase shares on the open market and therefore the Company is not in a position to influence the treatment of investors. No investor receives preferential treatment.

Liquidity risk management

The Company's shares are traded on the London Stock Exchange and the Johannesburg Stock Exchange through market intermediaries. There are no special rights to redemption.

Periodic and regular disclosure under the Directive

- (a) none of the Company's assets are subject to special arrangements arising from their illiquid nature;
- (b) there are no new arrangements for managing the liquidity of the Company including, but not limited to, any material changes to the liquidity management systems and procedures employed by the Manager in place. Shareholders will be notified immediately where the issue, cancellation, sale and redemption of shares is suspended, when redemptions are suspended or where other similar special arrangements are activated;

Shareholder Information continued

- (c) the current risk profile of the Company and the risk management systems employed by the Manager to manage those risks can be found in the Strategic Report; and
- (d) the total amount of leverage employed by the Company may be found in the AIFM disclosures on the website www.schroders.co.uk/its.

Any changes to the following information will be provided through a regulatory news service without undue delay and in accordance with the Directive:

- (a) the maximum level of leverage which the Manager may employ on behalf of the Company; and
- (b) the right of re-use of collateral or any changes to any guarantee granted under any leveraging arrangement.

Remuneration disclosures

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

CORPORATE INFORMATION

Directors

Sir Julian Berney Bt.
Jonathan Thompson
Mark Patterson

Investment Manager

Schroder Real Estate Investment Management Limited

31 Gresham Street
London EC2V 7QA

Registered Office

31 Gresham Street
London EC2V 7QA

Company Secretary

Schroder Investment Management Limited

31 Gresham Street
London EC2V 7QA

Solicitors to the Company

Stephenson Harwood LLP

1 Finsbury Circus
London EC2M 7SH

Auditors

PricewaterhouseCoopers LLP

7 More London
Riverside
London SE1 2RT

Property Valuers

Knight Frank LLP

55 Baker Street
London W1U 8AN

Tax Advisers

KPMG

15 Canada Square
London E14 5GL

ISA

The Company's shares are eligible for Individual Savings Accounts (ISAs).

Certain pre-sale, regular and periodic disclosures required by the AIFM Directive may be found on the website www.schroders.co.uk/its.

Joint Sponsor and Brokers

South Africa:

PSG Corporate Services (Pty) Limited

1st Floor, OU Kollege
35 Kerk Street
Stellenbosch 7600

London:

Numis Securities Limited

10 Paternoster Square
London EC4M 7LT

Transfer Secretary

Computershare Investor Services (Pty) Limited

PO Box 61051
Marshall Town
2107
South Africa

Registrar

Equiniti Limited

Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Shareholder Helpline

0800 032 0641*

Website: www.shareview.co.uk

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

Dealing Codes

ISIN Number: GB00BY7R8K77

SEDOL Number: BY7R8K7

Ticker (LSE): SERE

Ticker (JSE): SCD

Global Intermediary Identification Number

(GIIN) SU6VCJ.99999.SL.826

