

Schroder European Real Estate Investment Trust plc

Annual report and consolidated financial statements

for the year ended 30 September 2018



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

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

At 30 September 2018 the Company had 133,734,686 shares in issue and had thirteen subsidiaries which, together with the Company, form the Group.

The Company's investment manager is Schroder Real Estate Investment Management Limited (the 'Investment Manager'). The Investment Manager draws on the expertise of a team of over 180 professionals based locally, with capability in a range of disciplines including fund and portfolio management, research, acquisition due diligence, legal and tax structuring, fund accounting, reporting and investment management. Key members of the team and their associated disciplines are set out below:

Investment objective

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

Investment strategy

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

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

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

Investment policy

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

Diversification

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

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

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

Asset class and geographic restrictions

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

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

Other restrictions

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

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

Borrowing policy

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

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

Highlights over the year to 30 September 2018¹

- Increased annualised dividend yield to 5.5% against the euro equivalent of the issue price as at admission, achieving the dividend target set at IPO
- Net asset value ('NAV') total return of 7.5%
- EPRA² earnings increased by 57% to €10.8 million, driven by active management of the portfolio (IFRS earnings increase of 28% to €13.2 million)
- Dividend cover of 109%
- Positioning of the portfolio towards growth sectors, having reduced retail exposure and deployed proceeds into industrial and office assets located in growth cities and regions
- Conservative leverage with loan to value of 26%

Strategic

- 100% of portfolio by value located in higher growth regions
- Acquired five properties in high growth sectors, deploying €52 million at an average net income yield of around 8% and disposed of two retail properties totalling €44.8 million at an average net income yield of around 5%
- Completed 17 lease transactions, growing rental income and extending lease duration
- Agreed lease surrender at Hamburg office in return for a premium of €3.9 million (€2.4 million received in the financial period and a further €1.5 million is expected to be received in 2019) and in advanced discussions to re-let 40% of surrendered space
- Local experienced teams on the ground in target markets

Performance

- Current portfolio valued at €222 million³ reflecting an uplift of approximately 8.1% on purchase price
- Underlying property portfolio total return of 10.8% (excluding the impact from transaction costs)
- Portfolio is almost 100% occupied with a 6.6 years average lease term and a net property income yield of approximately 6%

Portfolio at a glance

The Company aims to own a diversified portfolio of commercial real estate in Continental Europe with good property fundamentals. The Company targets assets located in Winning Cities and regions and in high growth sectors.

¹Relates to the Group's share only and excludes the non-controlling interests in the Company's subsidiaries.

²European Public Real Estate Association.

³Includes the Group's 50% share of the Seville property as disclosed in note 15 to the accounts.

Allocations

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

Country	
France	39%
Germany	31%
Netherlands	18%
Spain	12%
Total	100%

Sector	
Office	49%
Retail	29%
Warehouse	13%
Mixed	9%
Total	100%

Office

The Group focuses on sub-markets that are: supply-constrained; benefit from competing demands for uses and where rents are modest and sustainable. Our office exposure is in Paris, Hamburg and Stuttgart where we expect to see above average rental growth.

Warehouse

The Group has increased its exposure to the high growth warehouse and logistics sector. The Group's investments comprise both logistics and industrial warehousing, leased to a variety of tenants in manufacturing, services and third party logistics. All assets are in established warehouse locations with supply constraints and rental growth prospects.

Retail

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

Other

The Group owns a mixed-use data centre and office building located in Apeldoorn, one hour from Amsterdam. The asset provides stable income from a long-term lease let to a strong covenant and future potential opportunity from alternative use potential.

Top ten properties

The top ten properties set out below comprise 95% of the portfolio value.

Property	Value	
	€m	% of total
Paris (B-B)	42.0	19
Paris (Saint-Cloud)	35.5	16
Berlin	26.2	12
Seville (50% share)	26.0	12
Apeldoorn	20.0	9
Hamburg	16.3	7
Stuttgart	15.9	7
Frankfurt	11.5	5
Venray	9.5	4
Rumilly	8.6	4

Portfolio

- 12 properties
- €222 million value – this includes the 50% share of joint venture property held in Seville
- 100% of the portfolio located in higher-growth cities and regions

% of SEREIT capital value

% of Europe as a whole

Investment philosophy

A disciplined approach to investment

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

High-quality research

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

Business plan-led approach

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

Responsible investment

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

Our strategic objectives

Focusing on our key objectives

The key strategic steps are:

1. **Exposure to Winning Cities and regions:** 100% of the portfolio is located in higher growth regions and the strategy will continue to focus on Winning Cities and regions where GDP, employment and the population is forecast to grow faster than respective domestic economies;
2. **Improving diversification and exposure to high growth sectors:** the Group has reduced its retail allocation and diversified into the higher-yielding industrial warehousing sector;
3. **Deploy remaining capital having reinvested €52 million in the past six months:** the Group has c.€15 million of capital to deploy. We will maintain a disciplined acquisition strategy focused on Winning Cities and regions, with a preference towards industrial warehouses;
4. **Active asset management:** continue to leverage off the Investment Manager's local expertise to manage assets including: strategic tenant relationship management, leasing vacant space and completion of the refurbishment programs to improve occupancy and income; and
5. **Disciplined growth:** disciplined approach to growing the Company in a way that will improve shareholder returns.

Performance summary

Property performance¹

	30 September 2018	30 September 2017
Value of property assets ²	€222.0m	€211.7m
Annualised rental income	€16.1m	€14.3m
Estimated open market rental value	€16.6m	€14.6m
Underlying portfolio total return	10.8%	10.4%
Underlying portfolio income return	7.5%	6.2%

Financial summary

	30 September 2018	30 September 2017
NAV (excluding non-controlling interests)	€182.1m	€178.3m
NAV per ordinary share	136.2c	133.3c
EPRA NAV	€182.8m	€178.6m
NAV total return (euro)	7.5%	6.0%
IFRS earnings	€13.2m	€10.3m
EPRA earnings	€10.8m	€6.9m
Dividend cover	109%	102%
Equity raised (gross)	Nil	€16.7m

Capital values

	30 September 2018	30 September 2017
Share price	114.5 pps/ZAR 21.26	110.5 pps/ZAR 19.25
NAV per share	121.3 pps/ZAR 22.36	117.6pps/ZAR 21.37
Share price discount to NAV GBP/ZAR	(5.6%)/(4.9%)	(6.0%)/(9.9%)

Earnings and dividends

	30 September 2018	30 September 2017
Profit per share (euro cents)	9.9	7.7
EPRA earnings per share (euro cents)	8.1	5.2
Headline earnings per share (euro cents)	8.1	5.2
Dividends declared per share (euro cents)	7.4	5.2
Annualised dividend yield of most recent dividend declared on the euro equivalent of the issue price as at admission	5.5%	4.4%

Bank borrowings

	30 September 2018	30 September 2017
External bank debt (excluding costs) ³	€64.4m	€60.4m
Loan to value ('LTV') ratio based on Gross Assets	26%	25%

Ongoing charges⁴

	30 September 2018	30 September 2017
Ongoing charges (including fund only expenses)	1.95%	1.87%
Ongoing charges (including fund and property expenses)	2.38%	2.11%

¹Relates to the Group's share only and excludes the non-controlling interests in the Company's subsidiaries.

²Includes the Group's 50% share in the Seville property as disclosed in note 15.

³Includes the Group's 50% share of external debt in the joint venture as disclosed in note 15 and excludes unamortised finance costs.

⁴Ongoing charges are calculated in accordance with AIC recommended methodology as a percentage of average NAV over the period.

Chairman's statement

Overview

I am pleased to report on another strong year that has seen SEREIT delivering growth in both net asset value and income. Growth has been underpinned by two key initiatives: the profitable disposal of lower-yielding retail assets alongside new investment into higher growth industrial assets; and active asset management of the existing portfolio and its tenants.

The growth in net income has enabled the Company to achieve its IPO dividend target of a 5.5% yield against the euro IPO issue price. Going forward we will continue to pursue a progressive dividend which is sustainable from recurring income. The portfolio is well positioned for this with a diverse occupier base comprising over 130 tenants and a number of clear opportunities to realise further rental growth.

We are also proud to have delivered NAV growth alongside income growth. The main contributor to this is the uplift in value and income from the real estate portfolio. This has been driven by our focus on high growth locations and active asset management by the Investment Manager's local teams. We believe this platform provides a solid foundation for the Company's growth aspirations going forward.

Strategy

The Group's investment strategy specialises in targeting real estate located in Winning Cities and regions across Continental Europe that are benefiting from mega themes such as urbanisation and infrastructure improvements. This strategy has been successfully implemented, with 100% of the Group's portfolio located in areas expected to benefit from above-average GDP growth.

The real estate portfolio is actively managed by the Investment Manager's local teams, which are made up of 180 real estate professionals based across eight key markets in Europe. These teams are informed by Schroders' research capability, which delves into these markets to identify locations and sectors that are benefiting from supply/demand imbalances and structural changes. This combination of in-house research and on the ground presence enables the Group to identify specific acquisitions and formulate and execute asset management initiatives to capitalise on the growth potential in these markets.

An example of the successful implementation of the Group's strategy during the year was the reinvestment of the Casino supermarket sale proceeds into logistics assets in France and the Netherlands, providing further portfolio diversification and increased exposure to the higher growth industrial sector. Another example was negotiating a lease surrender at the Group's Hamburg office, generating an immediate income return and enabling the Group to potentially capitalise on the rental growth prospects in a strong Hamburg sub-market.

Continuing to deliver on the investment strategy will support maximising income and long-term capital value growth for the Company. This will underpin our ambition to grow the Company in a disciplined way that will improve shareholder returns and provide additional benefits such as cost economies and share liquidity.

Dividend

The Company has declared a fourth interim dividend in respect of the year ended 30 September 2018 of 1.85 euro cents per share based on the number of shares in issue as at the publishing date of this report. The total dividends in respect of the year amount to 7.4 euro cents per share, equating to a 42% increase compared to dividends declared for the year ending 30 September 2017.

The latest declared dividend represents an annualised rate of 5.5% based on the euro equivalent of the issue price at admission, achieving the target dividend stated at IPO. Based on the Euro:GBP exchange rate as at 30 September 2018, this equates to an annualised rate of 6.8% on the GBP issue price at IPO of 100 pence per share.

The dividend is fully covered from net income from the portfolio. The Company will continue to pursue a progressive dividend policy which is sustainable from recurring income.

Balance sheet and debt

The Group is focused on maintaining a robust balance sheet and overall leverage is capped at 35% at the time of drawing debt. The Group completed two new loans during the year and as at year end had five debt facilities in place totalling €64.4 million, representing a Loan to Value ('LTV') of approximately 26% against the overall gross asset value of the Group.

The Group's average weighted interest rate is 1.4%, materially below the income yield on the real estate portfolio of 6.3%. All interest rates are either fixed or capped to mitigate the risk of rising interest rates. It is likely the Group will draw further debt facilities against future acquisitions and continue to benefit from the positive yield spread.

Outlook

The Group's strategic focus on Winning Cities and regions across Europe means the portfolio we have constructed is centred on higher growth locations and sectors where we expect more sustainable occupier demand. This will benefit the Group through different cycles. The quality and increased diversification of the real estate portfolio, combined with the robust balance sheet and strong income profile, provide defensive characteristics in periods of uncertainty. At the same time, the asset management opportunities within the portfolio provide the chance to capitalise on the continued rental growth in our target markets. Overall this positions the Company well to deliver long-term shareholder returns.



Sir Julian Berney Bt.
Chairman
30 November 2018

Investment Manager's review

Focus on Winning Cities

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

Results

The Group's Net Asset Value ('NAV') as at 30 September 2018 stood at €182.1 million (£162.2m), or 136.2 euro cents (121.3 pence) per share, achieving a NAV total return of 7.5% over the financial year.

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

NAV movement	€million ¹	Cps ²	% change per cps ³
Brought forward as at 1 October 2017	178.3	133.3	-
Transaction costs of investments	(3.7)	(2.8)	(2.1)
Capital expenditure	(0.6)	(0.4)	(0.3)
Unrealised gain in valuation of the real estate portfolio	3.7	2.8	2.1
Realised gain on property disposals	4.0	3.0	2.2
EPRA earnings	10.8	8.1	6.1
Non-cash/capital items	(1.0)	(0.7)	(0.5)
Dividends paid	(9.4)	(7.1)	(5.3)
Carried forward as at 30 September 2018	182.1	136.2	2.2

¹Management reviews the performance of the Group principally on a proportionally consolidated basis. As a result, figures quoted in this table include the Group's share of joint ventures on a line-by-line basis and exclude non-controlling interests in the Company's subsidiaries.

²Based on 133,734,686 shares.

³Percentage change based on the starting NAV as at 1 October 2017.

Market overview

Growth in the Eurozone remains above trend, supported by structural reforms which are continuing to filter through to active leasing and investment markets. Going forward, Eurozone economic growth will slow, albeit slightly, to 1.75–2.0% p.a. through the rest of this year and 2019 given slower growth in major economies across the world. Consumer spending remains supported by further increases in employment and rising real wages and most Eurozone governments can afford to loosen their fiscal policy. However, there are signs that the decline in unemployment is starting to put upward pressure on wages, particularly in Germany, and while the European Central Bank ("ECB") has announced a halt to quantitative easing at the end of the year, Schroders expects the ECB to raise interest rates gradually from the second half of next year. While all asset classes are exposed to rising rates, the large gap between real estate yields and bond yields, however, makes it unlikely that they will rise in parallel. Nevertheless, income growth will be the key driver of returns and assets with poor prospects for income growth will be hit harder by the rise in yields. Structural trends such as rapid urbanisation, technological innovation and demographics are also likely to drive the continued divergence of real estate returns with some cities, submarkets and assets capturing strong growth and some disproportionately suffering from obsolescence and lower growth.

Offices

Office demand remains strong across continental Europe. While the main driver is the growth in employment, demand is also being propelled by two other trends. Firstly, the expansion of serviced office providers - although that is to some extent cannibalising lettings to smaller occupiers. Secondly, many larger companies are upgrading their offices in an effort to attract and retain skilled staff and improve their wellbeing and productivity. The high level of demand continues to erode vacancy rates which are sitting at record lows, particularly for modern, Grade A space. As a result, rental growth has spilled out of CBD locations and we see

further growth in both prime and average grade office rents in most established sub-markets. While construction activity has slowly started to pick up, the risk of oversupply due to a building boom remains low and much of the new supply has already been pre-let.

Logistics/industrial

The logistics market in continental Europe is also enjoying strong demand thanks to the upturn in manufacturing, the growth of online retail and a structural increase in contracting out to third-party providers. However, on the supply side, developers have been quick to respond with build-to-suit projects, with the result that prime logistics rents in most locations have been mostly flat this year. The exceptions are to be found in regions where development land is scarcer or planning is harder to obtain. Looking ahead, we expect more cities to see an increase in the prime logistics rents, with growth typically running around 2% p.a., with occupier demand strongest for modern stock that allows the implementation of new technology and automation.

Retail

Retail real estate markets remain polarised as consumers buy more online and prioritise experiences over goods. The trend is clearest in northern Europe where online sales now account for over 10% of total sales and the number of people visiting stores in France and Germany is falling. In most countries shopping centres are seeing a higher vacancy than retail parks because internet penetration in clothing is higher than in bulky goods and shopping centre rents are higher relative to sales than retail park rents and retail parks tend to be more accessible by car. In general, food-anchored schemes are also relatively defensive, although the success of individual formats varies from country to country, reflecting varying consumer preferences.

Strategy

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

- Achieving the target dividend yield of 5.5%;
- Achieving full investment targeting Winning Cities and regions that experience higher levels of GDP, employment and population growth than national averages;
- Re-deploy the retail asset sale proceeds (see below “Transactions”) into investments that improve income and portfolio diversification, particularly from increased allocation to the higher growth logistics warehouse sector;
- Execute asset management initiatives to improve long-term income profile and asset value; and
- Manage portfolio risk in order to enhance the portfolio’s defensive qualities

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

- Growth of the annual dividend to the target level of 5.5%, representing a 42% increase in the annual dividend compared to the 2017 financial year;
- 100% of the portfolio being located in higher growth cities;
- A portfolio level total return of 10.8% with the majority (c.70%) from income;
- Acquisition of four warehouses (detailed in “Transactions” below) in the Netherlands and France, increasing the weighting to the logistics warehouse sector from 0% to 13% and improving the portfolio diversification;
- Negotiated a lease surrender in Hamburg, receiving €2.4 million in the financial year with a further €1.5 expected to be received in 2019, and in advanced discussions on securing new leases over c.40% of the surrendered space;
- Concluded seventeen new leases and re-gears, resulting in an increase of income by c.3% relative to previous rent and at a weighted lease term of c.8 years;
- Maintained the high occupancy level of 97%, with an average portfolio unexpired lease term of 6.6 years and 5.0 years to break; and

- A low leverage of 26%

Our focus continues to be on driving income and total returns for the existing portfolio, managing risks and continuing to seek new investments to accelerate income growth. The specific next steps therefore include:

1. The reinvestment of the remaining c.€15 million available, including debt, in a timely manner but with a disciplined approach
2. Conclusion of key asset management initiatives;
 - a. Leasing of the remaining 60% vacant space in Hamburg;
 - b. Conclusion of the light refurbishment program at Metromar due for completion at the end of Q1 2019; and
 - c. Securing tenancy pre-commitment for the office investment in Boulogne Billancourt, Paris and progression of the redevelopment licenses, construction contract and programme;
3. Continue to actively engage with existing shareholders and potential new investors; and
4. A disciplined approach to growing the Company in a way that will improve shareholder returns.

Transactions

The Group has focused on acquiring properties that increase its allocation to the high growth industrial and logistics sector and further diversify the portfolio.

In total over the twelve months since 1 October 2017, the Group disposed of two retail properties totalling €44.8 million at an average net income yield of around 5% and acquired five properties deploying €52 million at an average net income yield of around 8%.

In July the Group completed the sale of the two low yielding Casino supermarkets in Rennes and Biarritz for a combined price of €44.8 million, representing a profit of €4.9 million compared on the combined purchase price. This provided capital to reinvest into the higher growth industrial and logistics assets.

In February 2018, the Group acquired a fully leased, three storey office building and data centre in Apeldoorn, the Netherlands for an all-in cost of €21 million. The asset generates a net income yield of approximately 10% and has a weighted average unexpired lease term of almost nine years.

In August and September 2018, the Group completed the purchase of four industrial assets in the Netherlands and France at all-in costs of €31 million. These assets are in established industrial locations and offer a stable income profile with growth upside from broader improving city and regional fundamentals.

- In Rumilly, South-East France, the Group has acquired a freehold logistics property at a net initial yield of 7.0%. The 16,700 sq.m warehouse is fully let to a strong covenant: a subsidiary of the global food and drink manufacturer Nestlé with an unexpired lease term of over seven years

- In Venray, the Netherlands, the Group has acquired a freehold 15,290 sq.m warehouse, fully let to logistics specialist De Klok Logistics on a new 10 year lease. The Venray/Venlo region sits next to the German border and the Ruhr region. It is regarded as one of the premier logistics locations in Europe, providing both domestic and European distribution capabilities via its excellent road, rail and ports connectivity
- In Houten, in the Utrecht province of the Netherlands, the Group has acquired a modern freehold 9,149 sq.m warehouse which is 100% let to Inventum, a specialist in water heating and boilers, with an unexpired lease term of eight years. The property is located in the established de Meerpaal Business Park, home to more than 100 occupiers from a cross section of industries. Utrecht is one of the fastest growing regions in the Netherlands with both GDP and population expected to exceed national averages (source: Oxford Economics, March 2018), whilst also benefiting from its central location, favourable road, rail and port accessibility, education facilities and position as a major employment hub

- The Group has also acquired a modern, 2,500 sq.m mixed use building in Utrecht, fully let on a multi-tenanted basis with an unexpired lease term of approximately eight years. The property is located in the established De Wetering business park, fronting the A-2 motorway

Following these acquisitions the Group has remaining investment capacity from the Casino supermarket sale of approximately €15 million including additional gearing. There are a number of potential new investments in various stages of negotiation and we expect to complete the reinvestment programme in the following months.

Real estate portfolio

Following a concerted period of investment, the Group now owns a portfolio of twelve institutional grade properties valued at €222 million at the end of September 2018. The properties are 97% let, across Winning Cities and regions in France, Germany, Spain and the Netherlands. All investments are 100% owned except for the Metromar shopping centre, Seville, where the Fund holds a 50% interest.

The top 10 properties comprise 95% of the portfolio value:

Rank	Property	Country	Sector	Value	
				€m	% of total
1	Paris (B-B)	France	Office	42.0	19
2	Paris (Saint-Cloud)	France	Office	35.5	16
3	Berlin	Germany	Retail	26.2	12
4	Seville (50%)	Spain	Retail	26.0	12
5	Apeldoorn	Netherlands	Mixed	20.0	9
6	Hamburg	Germany	Office	16.3	7
7	Stuttgart	Germany	Office	15.9	7
8	Frankfurt	Germany	Retail	11.5	5
9	Venray	Netherlands	Industrial	9.5	4
10	Rumilly	France	Industrial	8.6	4
Top 10 properties				211.5	95
11-12	Remaining two properties	Netherlands	Industrial	10.5	5
Total				222.0	100

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

Rank	Tenant	Property	Contracted rent		Wault break (yrs)	Wault Exp (yrs)
			€m	% of total		
1	KPN B.V.	Apeldoorn	2.4	15	8.3	8.3
2	Alten	Paris (B-B)	2.4	15	2.5	2.5
3	Hornbach	Berlin	1.6	10	7.3	7.3
4	Filassistance	Paris (SC)	0.8	5	3.3	8.3
5	Cereal Partners France	Rumilly	0.7	4	6.6	7.6
6	LandBW	Stuttgart	0.7	4	7.4	7.8
7	DKL B.V.	Venray	0.7	4	10.0	10.0
8	Thesee	Paris (SC)	0.6	4	0.9	3.9
9	Inventum Industrial	Houten	0.6	4	7.7	7.7
10	Ethypharm	Paris (SC)	0.5	3	2.7	8.3
Total top ten tenants			11.0	68	5.7	6.6
Remaining tenants			5.1	32	3.3	6.4
Total			16.1	100	5.0	6.6

The portfolio generates €16.1 million p.a. in contracted income. The average unexpired lease term is 5.0 years to first break and 6.6 years to expiry.

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

Portfolio performance

The current portfolio value of €222.0 million reflects an increase of 8.1% (€16.6 million) compared to the combined purchase price of the twelve asset portfolio. Transaction costs have been fully recovered through valuation uplifts since acquisition.

During the period the Group disposed of two Casino supermarkets in Rennes and Biarritz at a significant premium to the September 2017 valuations. External valuations increased for most of the other properties with the main exception being Hamburg where the reduction in valuation was more than compensated for by the payment of a lease surrender premium by the tenant.

Overall, the underlying property portfolio generated a total property return of 10.8% over the last twelve months (9.0% when including the impact from transaction costs for the newly-acquired properties in Rumilly and in the Netherlands). The underlying portfolio income return was 6.7% (rising to 7.5% including the surrender premium for Hamburg).

Sustainable investment

Our approach to responsible investment has been continually upgraded over the last few years and we are increasingly seeking to assess and improve the positive impact of our investments. This involves incorporation of environmental, social and governance issues as well as, importantly, the impact of our investments on the built environment and climate change risks and opportunities. The Investment Manager is aware of the importance of the impact its activities have on local environments and the performance of this area is being continually measured. It was a founding member of the UK Green Building Council in 2007 and in 2017 became a member of the Better Buildings Partnership and a Fund Manager Member of GRESB. More detail on this matter can be found in our Sustainability Report on pages 32 to 34.

Finance

As at 30 September 2018, the Group's total external debt was €64.4 million across five loan facilities. This represents a conservative loan to value of 26% against the Group's gross asset value.

During the year the Group completed two new debt facilities. A €13 million loan was secured against the Saint-Cloud office building in Paris and the newly-acquired industrial assets in the Netherlands were part financed with a €9.25 million loan.

As part of the sale of the Casino supermarkets, the Group's share of the debt associated with that investment was transferred to the buyer.

The current blended all-in interest rate is 1.4%, significantly below the portfolio yield of 6.3% p.a, providing a favourable yield gap. The average unexpired loan term is 6.0 years.

Lender	Property	Maturity date	Outstanding principal ¹	Interest rate
Deutsche Pfandbriefbank	Berlin/Frankfurt	30/06/2026	16,500,000	1.31%
	Stuttgart/Hamburg	30/06/2023	14,000,000	0.85%
BRED Banque Populaire	Paris (SC)	15/12/2024	13,000,000	3M Euribor + 1.30%
Münchener Hypothekenbank ¹	Seville (50%)	22/05/2024	11,678,750	1.76%
HSBC	Netherlands industrial	27/09/2023	9,250,000	3M Euribor + 2.15%
Total			64,428,750	

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

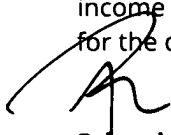
The German and Spanish loans are fixed rate for the duration of the loan term.

The French and Netherlands loans are based on a margin above 3 month Euribor. The Group has acquired interest rate caps to limit future potential interest costs if Euribor were to increase. The strike rate on the French cap is 1.25% p.a. and 1% p.a. for the Netherlands loan.

Outlook

The case for continental European real estate remains compelling, particularly for cities that are attractive places to live, work and visit, have diverse economies, strong universities/ education facilities and proactive local governments with a long term vision for infrastructure. These are all attributes that define a 'Winning City' and lead to superior employment, economic and population growth. The Group's assets are all located in these higher growth cities such as Berlin, Hamburg, Stuttgart, Frankfurt and Paris which positions them well to benefit from the underlying growth in those markets.

The immediate priority is centred on deploying the remaining €15 million investment capacity, including gearing, and continuing to maximise performance from the portfolio. Successful conclusion of the leasing of Hamburg, repositioning of Metromar and the management of lease expiries will all improve the portfolio's income profile, enhance value and improve defensive characteristics. In turn, this will underpin our ambitions for the disciplined growth of the Company.



Schroder Real Estate Investment Management Limited
30 November 2018

Strategy in action

Active management and de-risking

'Tritower C', Hamburg

Asset strategy

Key initiative centred on the finalisation of a total expected €3.9 million lease surrender premium with City BKK. The agreement gives the Group the opportunity to re-position the property, re-lease the space into a strengthening office sub-market and diversify the property's income profile.

Asset overview and performance

'Tritower C' is a 7,000 sq.m office building located in the city-sud submarket, one stop from the city centre and an area that is evolving as a destination where people want to live, work and socialise. As at 30 September 2018, the asset was valued at €16.3 million, reflecting a net income yield of around 3% and a reversion yield of around 5%. During the year to 30 September 2018, the property delivered a 15.5% total property return. We are in the process of de-risking the leasing vacancy with advanced discussions on re-leasing approximately 40% of the vacant space.

Conclusion of a €3.9 million lease surrender premium that represents 4.7 years of income

Availability within the sub-market has fallen from c.10% to below 5%, making the decision to accept the surrender premium attractive

In advanced discussions regarding the leasing of two and a half floors representing approximately 40% of the City BKK space

Light refurbishment of entrance foyer to improve lighting, signage and general presentation

Repositioning investments to improve dominance

Metromar Shopping Centre, Seville

Asset strategy

The strategy is centred on maximizing investment returns through a combination of improving occupancy, enhancing the appeal to its growing local catchment and strengthening the convenience and leisure points of difference relative to competition.

Asset overview and performance

Metromar provides a dominant retail offer for the local urban catchment. The 23,000 sq.m centre is located alongside the Ciudad Expo metro station, a growing and densely populated area fifteen minutes from the city centre. As at 30 September 2018, the asset was valued at €26.0 million, reflecting a net income yield of 6 % and a reversion yield of 6%. During the year to 30 September 2018, the property delivered a 6.0% total property return. We are in the process of undertaking asset management initiatives that include the delivery of leisure specialist, Urban Planet, that will complement the existing cinema and food offering and the commitment to invest c.€800,000 (50% interest) to improve the centre's comfort, signage, wayfaring, lighting and general vibrancy.

Light repositioning underway to improve vibrancy, comfort and consumer experience

Signing of a new five year lease covering 1,200 sq.m to leisure specialist Urban Planet. Their opening in January 2019 will enhance the centre's entertainment offer, overall performance and create a further point of difference relative to competition

12 rent reviews/lettings completed in line with rental values and average weighted lease term of 5.5 years

Tenant and income retention

Le Directoire, Saint-Cloud (Paris), France

Asset strategy

The strategy is centred on tenant retention to maximise income, limit vacancy and drive unexpired lease profile. Let off affordable and sustainable rents the location is expected to benefit from future infrastructure improvements with the Grand Paris transit line opening in 2025.

Asset overview and performance

Le Directoire provides functional office space with excellent natural light and views over the river Seine, La Défense and Paris. The 15,800 sq.m office investment is part of an established office complex in Saint-Cloud, a densely populated mixed-use area in the west of Paris. As at 30 September 2018, the asset was valued at €35.5 million, reflecting a net income yield of circa 9% and a reversionary yield of around 8%. During the year to 30 September 2018, the property delivered a 14.0% total property return.

Completion of a €400,000 refurbishment programme, comprising the full renovation of lift lobbies, demonstrating our commitment to the premises

Re-gearing of c.25% of the office area with the merging of Fila Assistance and Garantie Assistance. Revised lease is on a 4/6/9 year term at an annual rent 13% above ERV

Signing of two new long-term leases over vacant storage areas totaling 400 sq.m, adding €33,000 in annual income

Deploying capital to enhance income and diversification

Rumilly, France

Asset strategy

The Rumilly investment was committed in June 2018 and provides the portfolio with its initial warehouse allocation, a stated objective for the year. The investment provides not only further diversification benefits (sector, city, tenant, expiry) but was achieved at an attractive yield profile, accretive to the distribution target.

Asset overview and performance

Rumilly is located in the South-East of France, near the Swiss border, and approximately 50km from Geneva. The 16,700 sq.m warehouse was acquired off a net initial yield of 7% and is fully let to a strong covenant, a subsidiary of the global food and drink manufacturer Nestlé, with an unexpired lease term of c.7.5 years.

Located in a region forecast to grow faster than the national average, serving the major metropolitan areas of Lyon and Geneva

Long-term lease to a subsidiary of Nestlé, with an unexpired lease term of c.7.5 years. The tenant has been in the premises for over 20 years

Leased off affordable/sustainable rents in an area where there is limited supply



Schroder Real Estate Investment Management Limited
30 November 2018

Strategic review

Business model

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

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

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

As at the date of this Report, the Company had 13 subsidiaries, details of which are set out in note 14 on pages 78 and 79.

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 3 and 4.

The Board has appointed the Investment Manager, Schroder Real Estate Investment Management Limited, to implement the investment strategy and to manage the Group'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 fully invested and the Company has implemented its borrowing policy, the value of any individual asset at the date of its acquisition may not exceed 20% of gross assets. From time to time the Board may also impose limits on sector, location and tenant types together with other activity such as development.

Borrowings

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

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

Interest rate exposure and currency hedging

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

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

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

Investment restrictions and spread of investment risk

The Company invests and manages its assets with the objective of spreading risk and in accordance with its published investment policy. The Company ensures that the objective of spreading risk has been achieved by seeking to diversify its portfolio of assets by location, use, size, lease duration and tenant concentration. The properties described in the Investment Manager's report demonstrate how the objective of spreading risk has been achieved.

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

Promotion

The Company promotes its shares to a broad range of investors which have the potential to be long-term supporters of the investment strategy. The Company seeks to achieve this through its Investment Manager, 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 sales 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
- Institutional investors

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

Key performance indicators

The Board measures the development and success of the Company's business through achievement of the Company's investment objective, set out on page 3, which is considered to be the most significant key performance indicator for the Company. Comment on performance against the investment objective can be found in the Chairman's statement.

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

Board gender diversity

As at 30 September 2018, the Board comprised three men. The Board's approach to diversity is that candidates for Board vacancies are selected based on their skills and experience, which are matched against the balance of those of the overall Board, taking into account the specific criteria for the role being offered. Candidates are not specifically selected on the grounds of their gender but this is taken into account in terms of overall balance, skillset and experience. Further information is set out on page 43.

Anti-bribery and corruption policy

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

Key information document ('KID')

A KID for the Company was published by the Investment Manager on in January 2018, in accordance with the Packaged Retail and Insurance-Based Investment Products Regulations. The calculation of figures and performance scenarios contained in the KID have been neither set nor endorsed by the Board.

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 risks affecting the Company's business as an investment trust and has established associated policies and processes designed to manage and, where possible, mitigate those risks, which are monitored by the Audit and Valuation Committee on an ongoing basis. This system assists the Board in determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives. Both the principal risks and the monitoring system are also subject to robust review at least annually. The last review took place in November 2018.

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

The principal risks and uncertainties faced by the Company have largely remained unchanged throughout the year, although the Board has chosen to create separate categories of risk in relation to valuation risk and economic and property market risk so that they may be better kept under review. Accounting, legal and regulatory risk is considered an increased threat, particularly in light of the growing number of changes to tax legislation, some retrospective, which could affect the Company and its subsidiaries. To address this risk, the Board receives regular reporting on proposed changes to law and regulation which could have such an impact, so that it can take any mitigating steps at the earliest opportunity.

Actions taken by the Board and, where appropriate, its Committees, to manage and mitigate the Company's principal risks and uncertainties, are set out in the table below.

Risk	Mitigation and management
Investment policy and strategy An inappropriate investment strategy, or failure to implement the strategy, could lead to underperformance and the share price being at a larger discount, or smaller premium, to NAV. This underperformance could be caused by incorrect sector and geographic weightings or a loss of income through tenant failure, both of which could lead to a fall in the value of the underlying portfolio. This fall in values would be amplified by the Company's external borrowings.	The Board seeks to mitigate these risks by: – Diversification of its property portfolio through its investment restrictions and guidelines which are monitored and reported on by the Investment Manager – Determining borrowing policy, and ensuring the Investment Manager operates within borrowing restrictions and guidelines – Receiving from the Investment Manager timely and accurate management information including performance data, attribution analysis, property level business plans and financial projections – Monitoring the implementation and results of the investment process with the Investment Manager with a separate meeting devoted to strategy each year – Reviewing marketing and distribution activity and considering the use of a discount control mechanism as necessary
Investment management The Investment Manager's investment strategy, if inappropriate, may result in the Company underperforming the market and/or peer group companies, leading to the Company and its objectives becoming unattractive to investors.	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.
Economic and property market risk The performance of the Company could be affected by economic, currency and property market risk. In the wider economy this could include inflation or deflation, economic recessions, movements in foreign exchange and interest rates or other external shocks. The performance of the underlying property portfolio could also be affected by structural or cyclical factors	The Board considers economic conditions and the uncertainty around political events when making investment decisions. The Board mitigates property market risk through the review of the Group's strategy on a regular basis and discussions are held to ensure the strategy is still appropriate or if it needs updating. The assets of the Company are denominated in non-sterling currencies, predominantly the euro. No

Risk	Mitigation and management
impacting particular sectors or regions of the property market.	currency hedging is planned for capital, but the Board periodically considers the hedging of dividend payments having regard to availability and cost.
Custody	
Safe custody of the Company's assets may be compromised through control failures.	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	
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	
The risk that the NAV and financial statements could be inaccurate. The Investment Manager has robust processes in place to ensure that accurate accounting records are maintained and that evidence to support the financial statements is available to the Board and the auditors. The Investment Manager operates established property accounting systems and has procedures in place to ensure that the quarterly NAV and gross asset value are calculated accurately. The Board has appointed the Investment Manager as Alternative Investment Fund Manager in accordance with the Alternative Investment Fund Managers Directive.	The quarterly and annual NAV has numerous levels of reviews including by the Board. Additional support is produced by the fund accountants to ensure financial data is complete and accurate. An external audit is completed to provide an opinion on the financial statements which have been reviewed by the Board of Directors. The Investment Manager and Company Secretary monitor legal requirements to ensure that adequate procedures and reminders are in place to meet the Company's legal requirements and obligations. The Investment Manager undertakes full legal due diligence with advisers when transacting and managing the Company's assets. All contracts entered into by the Company are reviewed by the Company's legal and other advisers.
Changes to law and regulation, including retrospective changes, could impact the Company's performance and position.	Confirmation of compliance with relevant laws and regulations by key service providers. Shareholder documents and announcements, including the Company's published Annual Report, are subject to stringent review processes. Procedures established to safeguard against unauthorised disclosure of inside information. Board receives regular reporting on proposed changes to law and regulation which could affect the Group's structure.
Valuation	
Property valuations are inherently subjective and uncertain.	External valuers provide independent valuation of all assets at least quarterly. Members of the Audit and Valuation Committee meet with the external valuers to discuss the basis of their valuations and their quality control processes on a quarterly basis.

Risk	Mitigation and management
Service provider The Company has no employees and has delegated certain functions to a number of service providers. Failure of controls, including as a result of cyber-hacking, and poor performance of any service provider could lead to disruption, reputational damage or loss.	Service providers appointed subject to due diligence processes and with clearly documented contractual arrangements detailing service expectations. Regular reporting by key service providers and monitoring of the quality of services provided. Review of annual audited internal controls reports from key service providers, including confirmation of business continuity arrangements.

Risk assessment and internal controls

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

A full analysis of the financial risks facing the Company is set out in note 23 on pages 83 to 87.

Viability statement

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

The Board conducted this review over a five year time horizon commencing from the date of this report which is selected to match the period over which the Board monitors and reviews its financial performance and forecasting. The Investment Manager prepares five year total return forecasts for the Continental European commercial real estate market. The Investment Manager uses these forecasts as part of analysing acquisition opportunities as well as for its annual asset level business planning process. The Board receives an overview of the asset level business plans which the Investment Manager uses to assess the performance of the underlying portfolio and therefore make investment decisions such as disposals and investing capital expenditure. The Company's principal borrowings are for a weighted duration of 6.0 years and the average unexpired lease term, assuming all tenants vacate at the earliest opportunity, is 5.0 years.

The Board's assessment of viability considers the principal risks and uncertainties faced by the Company, as detailed in the Strategic Review on pages 28 to 30, 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, general liquidity requirements and potential legal and regulatory change for a five year period. These metrics are subject to a sensitivity analysis which involves flexing a number of the main assumptions including macro-economic scenarios, delivery of specific asset management initiatives, rental growth and void/re-letting assumptions. The Board also reviews assumptions regarding capital recycling and the Company's ability to refinance or extend financing facilities. Steps which are taken to mitigate these risks as set out in the Strategic Review on pages 28 to 30 are also taken into account.

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

Going concern

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

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

By order of the Board



Schroder Investment Management Limited
Company Secretary
30 November 2018

Sustainability report

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

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

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

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

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

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

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

Environmental management system

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

Property manager sustainability requirements

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

Energy

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

The Investment Manager is pleased to report a -2.8% reduction in like for like landlord obtained energy between the reporting years 2017 and 2018.

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

Refurbishments and green building certifications

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

Water

The Investment Manager monitors water consumption where the landlord has supply responsibilities and encourages asset-level improvements. Where the Company had supply responsibilities, a -12.6% reduction in like for like water consumption was seen between the reporting years 2017 and 2018.

Waste

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

EPRA sustainability reporting performance measures

This Report and Accounts includes a Sustainability Report setting out environmental performance indicator data for the portfolio. The report is aligned with EPRA Best Practices Recommendations on Sustainability Reporting 2017. The report is included in the Company EPRA Performance Measures report on pages 92 to 99.

Global Real Estate Sustainability benchmark

The Company participated in the annual Global Real Estate Sustainability Benchmark ('GRESB') survey for the first time as a full participant in 2018. GRESB is the dominant global standard for assessing Environmental Social and Governance performance for real estate funds and companies.

The Investment Manager intends to participate in the survey for the Company in 2019 with the objective of achieving a Green Star rating; this rating is achieved where scores for the two dimensions of Management and Policy and Implementation and Measurement are at least 50 out of 100 points.

Greenhouse gas emissions

A statement on greenhouse gas emissions is made at page 41 to 43.

Health, wellbeing and productivity

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

Stakeholder engagement and community

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

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

and develop the community relationship to ensure investments provide sustainable social solutions for the long term.

Industry participation

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

Employees

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

Further information on Schroders' principles in relation to people including diversity, gender pay gap, values, employee satisfaction survey, wellbeing and retention can be found at

<http://www.schroders.com/en/sysglobalassets/global-assets/global/annual-report/documents/schroders-ar17-peoplesociety.pdf>

<http://www.schroders.com/en/people/diversity-and-inclusion/gender-equality-at-schroders/>

Corporate responsibility

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

Full information on Schroders Corporate Responsibility approach including its economic contribution, environmental impacts and community involvement, can be found at

<http://www.schroders.com/en/about-us/corporate-responsibility/>

Slavery and human trafficking statement

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

The Investment Manager is part of Schroders plc, whose statement on Slavery and Human Trafficking has been published in accordance with the Modern Slavery Act 2015 (the "Act"). It sets out the steps that Schroders plc and other relevant group companies ("Schroders" or the "Group") have taken during 2017 and will be taking in 2018 to prevent slavery and human trafficking from taking place in its supply chains or any part of its business.

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

Governance

Board of Directors

Sir Julian Berney Bt.

Status: Independent non-executive Chairman

Date of appointment: 6 November 2015

Experience: Aged 66, 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 64, is an international banker with over 30 years' experience in investment banking and strategic planning. He is presently an operating partner with Corsair Capital and was formerly with Standard Chartered Bank where he had been responsible for the development and execution of Standard Chartered's Inorganic growth strategy and where he led a number of the bank's acquisitions and investments as well as its own equity fundraisings. He had previously held senior investment banking positions with Australia and New Zealand Bank and with Deutsche Bank. He graduated from Oxford University, qualified as a solicitor and worked with Slaughter and May prior to his move into banking.

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

Current remuneration: £30,000 per annum

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

Shared directorships with any other Director of the Company: None

Mr Jonathan Thompson

Status: Independent non-executive Director

Date of appointment: 29 October 2015

Experience: Aged 60, Non-executive Chairman of the Argent group of real estate regeneration, development and investment businesses, non-executive director and Chairman of the audit committee at Phoenix Spree Deutschland Limited a London premium listed investment business specialising in Berlin residential property and an independent member of the investment advisory board to a family wealth fund. He is the immediate past chairman of the Investment Property Forum and a former board member of the British Property Federation. An accountant by background, he spent 32 years at KPMG including 12 years as Chair of KPMG's International real estate and Construction practice. He is a member of the Institute of Chartered Accountants and an honorary fellow of the Royal Institution of Chartered Surveyors.

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

Current remuneration: £30,000 per annum

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

Shared directorships with any other Director of the Company: None

Directors' report

The Directors submit their report and the audited consolidated financial statements of the Company and its subsidiaries (together, the 'Group') for the year ended 30 September 2018.

Dividend and dividend policy

Having already paid interim dividends amounting to 5.55 euro cents per share, the Board has declared a fourth interim dividend of 1.85 euro cents per share for the year ended 30 September 2018, which is payable on 25 January 2019 to shareholders on the Register on 11 January 2019. Thus, dividends for the year amount to 7.4 euro cents (2017: 5.2 euro cents) per share.

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

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

Directors and their interests

The Directors of the Company and their biographical details can be found on pages 35 and 36. All Directors held office throughout the year under review. Details of Directors' share interests in the Company are set out in the Remuneration Report on page 50.

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

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

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

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

Share capital

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

Substantial share interests

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

	Number of ordinary shares as at 30 September 2018	Percentage of total voting rights
Schroders plc	24,111,611	18.03
Truffle Asset Management Pty Ltd	13,374,389	10.00
Investec Wealth and Investment Limited	13,334,600	9.97
Close Asset Management Limited	6,775,921	5.07
Wesleyan Assurance Society	4,042,500	3.02

There have been no notified changes to the above holdings since the year end.

Key service providers

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

Investment Manager

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

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

The Schroders Group (being Schroders plc and its subsidiaries, including the Investment Manager) manages £439.1 billion (as at 30 September 2018) on behalf of institutional and retail investors, financial institutions and high net worth clients from around the world, invested in a broad range of asset classes across equities, fixed income, multi-asset and alternatives.

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

The management fee payable in respect of the year ended 30 September 2018 amounted to €1,958,000 (2017: €1,849,000).

During the year ended 30 September 2018 the Investment Manager was entitled to receive a fee of €57,000 (2017: €56,000) for secretarial services provided to the Company.

Details of all amounts payable to the Investment Manager are set out in note 6 on page 73.

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

Depository

Langham Hall UK Depository LLP, which is authorised and regulated by the FCA, carries out certain duties of a Depository 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 Depository may terminate the Depository Agreement at any time by giving to the other parties not less than three months' written notice. The Depository may only be removed from office when a new Depository is appointed by the Company.

Corporate governance

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

The Board has noted the publication of a further revised UK Corporate Governance Code in July 2018, which applies to financial years beginning on or after 1 January 2019. The Board is considering the Company's governance framework in light of the new provisions.

Compliance statement

The UK Listing Authority requires all companies with a listing on the premium segment of the London Stock Exchange to disclose how they have complied with the provisions of the Code. This Corporate Governance Statement, together with the Statement of Directors' Responsibilities set out on page 48 and the viability and going concern statements set out on pages 30 and 31, indicate how the Company has applied the Code's principles of good governance and its requirements on internal control.

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

Operation of the Board

Chairman

The Chairman is an independent non-executive Director who is responsible for leadership of the Board and ensuring its effectiveness in all aspects of its role. The Chairman's other significant commitments are detailed on page 35. He has no conflicting relationships.

Role and operation of the Board

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

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

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

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

Training and development

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

Conflicts of interest

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

Board evaluation

In order to review the effectiveness of the Board, its Committees and the individual Directors, a thorough evaluation process is in place. This is implemented by way of a questionnaire and discussions with the Chairman. In respect of the Chairman himself, discussions are held between the Directors and the Audit and Valuation Committee Chairman. The process is considered by the Board to be constructive in terms of identifying areas for improving the functioning and performance of the Board and the Committees, the contribution of individual Directors and building and developing individual and collective strengths. The last evaluation took place during 2018.

Directors' and officers' liability insurance and indemnity

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

the Court. This indemnity was in place throughout the year under review and to the date of this report. This is a qualifying third party indemnity and was in place throughout the year under review for each Director and to the date of this report.

Directors' attendance at meetings

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

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

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

In addition to its regular quarterly meetings, the Board met on various ad hoc occasions as necessary during the year ended 30 September 2018.

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

Relations with shareholders

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

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

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

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

Mandatory Greenhouse Gas Emissions Statement

The Company, as a UK closed-ended real estate investment company listed on the London Stock Exchange, is required by the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 to report on its annual greenhouse gas emissions (GHG). This statement applies for the annual report for the financial year, the 12 months to 30 September 2018.

The Company's GHG footprint is calculated according to the principles of the Greenhouse Gas (GHG) Protocol and reported for the 12-month period to 31 March 2018, whereas the Annual Report and Accounts for the Company is reported for the financial year to 30 September 2018. At the 31 March 2018 the Company held ten properties in total: note that at the financial year end 30 September 2018, 12 properties were held. Operational

Control is used as the organisational boundary and only emissions within the Company's direct control are included.

The Company's Greenhouse Gas Emissions are reported as tonnes of carbon dioxide equivalent (tCO₂e), which includes the following emissions covered by the GHG Protocol (where available greenhouse gas emissions factors allow): carbon dioxide (CO₂), methane (CH₄), hydrofluorocarbons (HFCs), nitrous oxide (N₂O), perfluorocarbons (PFCs) and sulphur hexafluoride (SF₆).

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

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

Greenhouse gas emissions (Absolute scope 1 and 2 emissions- tCO₂e)

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

	Absolute emissions (tCO ₂ e)	
	2016/17	2017/18
Scope 1 (Managed portfolio gas use)	57	56
Scope 2 (Managed portfolio electricity and district heating use)	202	530
Total – Scope 1 and 2	259	586

Greenhouse gas emissions (Scope 1 and 2 emissions intensities – tCO₂e per m²)

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

	Emissions intensities (tCO ₂ e per m ²)	
	2016/17	2017/18
Offices	0.0126	0.0120
Retail, Shopping centre	0.0193	0.0153

- Emissions data relates to the managed portfolio only:
 - Offices: Common parts and shared service electricity, and whole building district heating or gas
 - Retail, Shopping Centre: Common parts and shared service electricity, and whole building district heating or gas
 - GHG emissions associated with electricity consumed directly by tenants is not reported.
- Methodology:
 - The following greenhouse gas emissions conversion factors have been applied:

Country	Electricity	Gas	District heating
Germany	CO ₂ Emissions from Fuel Combustion 2017, International Energy Agency	Federal Ministry of the Environment report 'CO ₂ Emission Factors for Fossil Fuels'	Federal Ministry of the Environment report translates to 'A Study of Specific Greenhouse Gas Emissions Factors for District Heating'

Spain	UK Government conversion factors for Company Reporting, Department for Environment, Food and Rural Affairs	EPA Climate Leaders Greenhouse Gas Inventory Protocol Core Module Guidance – Indirect Emissions from Purchases/Sales of Electricity and Steam (2008)
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- GHG emissions from electricity (Scope 2) are reported according to the 'location-based' approach
- Historic emissions data has been restated where more complete and or accurate records have become available
- Intensity: A tCO₂e/m² is reported for assets within the absolute portfolio. The numerator is landlord-managed GHG emissions from energy consumption and the denominator is net lettable floor area (m²)

Committees

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

The Committees of the Board have defined Terms of Reference which are available on the webpage www.schroders.co.uk/sereit. Membership of the Committees is set out on pages 35 and 36.

Nomination and Remuneration Committee

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

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

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

To discharge its duties, the Committee met once during the year to consider its terms of reference (at which time consideration of Directors' fees was added to the Committee's remit), the overall composition of the Board, including Board balance, skills and diversity, and the fees paid to Directors.

Management Engagement Committee

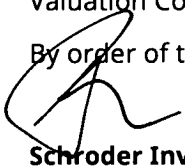
The role of the Management Engagement Committee is to ensure that the Investment Manager remains suitable to manage the portfolio, the management contract is competitive and reasonable for shareholders, and the Company maintains appropriate administrative and company secretarial support. The Committee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

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

Audit and Valuation Committee

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

By order of the Board



Schroder Investment Management Limited
Company secretary

30 November 2018

Report of the Audit and Valuation Committee

The responsibilities and work carried out by the Audit and Valuation Committee during the year under review are set out in the following report. The duties and responsibilities of the Committee may be found in the terms of reference. Membership of the Committee is as set out on pages 35 and 36. The Board has satisfied itself that at least one of the Committee's members has recent and relevant financial experience.

The Committee met four times during the year ended 30 September 2018. The Committee discharged its responsibilities by:

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

Annual report and financial statements

During its review of the Company's financial statements for the year ended 30 September 2018, the Audit and Valuation Committee considered the following significant issues, including principal risks and uncertainties in light of the Company's activities, and issues communicated by the Auditors during its reporting:

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

Matter	Action
Internal controls and risk management	Consideration of several key aspects of internal control and risk management operating within the Investment Manager and other key service providers.
Compliance with the investment trust qualifying rules in s.1158 of the Corporation Tax Act 2010	Consideration of the Investment Manager's report confirming compliance.

As a result of the work performed, the Committee has concluded that the Annual Report for the year ended 30 September 2018, 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 48.

Effectiveness of the independent audit process

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

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

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

Independent auditors

PricewaterhouseCoopers LLP have acted as auditors since the Company's IPO in 2015. This is the first year the engagement leader, Saira Choudhry, has been in place.

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

Provision of information to the auditors

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

Provision of non-audit services

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

During the year, total fees for non-audit services amounted to €6,000 (2017: €4,000), approximately 2.42% of fees paid to the Company's Auditors. These fees were paid in respect of the provision of services to the Company relating to the preparation of its key information document as required by the Packaged Retail and

Insurance-Based Investment Products Regulations. The Group also paid €37,000 (2017: €34,000) during the year for the interim review, approximately 13.8% of fees paid to the Group's Auditors.

Internal audit

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



Jonathan Thompson
Audit and Valuation Committee Chairman
30 November 2018

Statement of Directors' responsibilities

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

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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

Directors' confirmations

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed on pages 35 and 36 confirm that, to the best of their knowledge:

- the Group and Company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group and profit of the Company; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

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

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

On behalf of the Board



Sir Julian Berney Bt.
Chairman
30 November 2018

Directors' remuneration report

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

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

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

At the AGM held on 21 February 2018, 92.02% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the Report on Remuneration for the period ended 30 September 2017 were in favour, while 7.98% were against. 80,100 votes were withheld.

Directors' remuneration policy

The determination of the Directors' fees is considered by the Nomination and Remuneration Committee and the Board.

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

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

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

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

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

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

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

Directors' annual report on remuneration

This Report sets out how the Directors' remuneration policy was implemented during the year ended 30 September 2018.

Fees paid to Directors

During the year ended 30 September 2018, the Chairman was paid a fee of £35,000 and the other members of the Board were each paid a fee of £30,000.

The following amounts were paid by the Company to the Directors for services as non-executive Directors in respect of the year ended 30 September 2018 and the previous financial year. The euro equivalent of the Director's fees is disclosed in note 9.

Director	Fees		Taxable benefits ¹		Total	
	2018 £	2017 £	2018 £	2017 £	2018 £	2017 £
Sir Julian Berney Bt.	35,000	35,000	37	95	35,037	35,095
Jonathan Thompson	30,000	30,000	-	-	30,000	30,000
Mark Patterson	30,000	30,000	240	270	30,240	30,270
Total	95,000	95,000	277	365	95,277	95,365

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

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 Nomination and Remuneration Committee in November 2018. The members of the Board and the Nomination and Remuneration at the time that remuneration levels were considered were as set out on pages 35 and 36. Although no external advice was sought in considering the levels of Directors' fees, information on fees paid to Directors of other investment trusts managed by Schroders and peer group companies provided by the Investment Manager and corporate broker was taken into consideration.

Following the annual review, the Board agreed that the fees paid to the Chairman and Directors should be increased by £5,000 per annum. These changes became effective from 1 October 2018. Fees paid to the Chairman and Directors had not been increased since the Company's IPO in 2015.

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.

	Year ended 30 September 2018 (£'000)	Year ended 30 September 2017 (£'000)	Change (%)
Remuneration payable to Directors	95	95	-
Dividends paid to shareholders	8,351	5,425	53.9

The information in the above table has been audited.

Share price total return

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

Directors' share interests

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

Director	At 30 September 2018	At 1 October 2017
Sir Julian Berney Bt.	10,000	10,000
Jonathan Thompson	10,000	10,000
Mark Patterson	10,000	10,000

The information in the above table has been audited.

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



Sir Julian Berney Bt.
Chairman
30 November 2018

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the group's and of the company's affairs as at 30 September 2018 and of the group's and the company's profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the consolidated and company statement of financial position as at 30 September 2018; the consolidated and company statement of comprehensive income, the consolidated and company statement of changes in equity, and the consolidated and company statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

Basis for opinion

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

Independence

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

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

Other than those disclosed in note 7 to the financial statements, we have provided no non-audit services to the group or the company in the period from 1 October 2017 to 30 September 2018.

Our audit approach

Context

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

Overview

Materiality

- Overall group materiality: €2.4 million (2017: € 2.5 million), based on 1% of total assets.
- Overall company materiality: €1.7 million (2017: €1.7 million), based on 1% of total assets.
- Specific group materiality: €0.9 million (2017: €0.6 million), based on 5% of pre-tax profit.

Audit Scope

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

Key audit matters

- Valuation of investment properties due to significance and subjectivity.
 - Disposal of SCI Rennes Anglet due to this being a significant transaction.
-

The scope of our audit

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

We gained an understanding of the legal and regulatory framework applicable to the group and the industry in which it operates, and considered the risk of acts by the group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the group and company financial statements, including, but not limited to, the Companies Act 2006, the Listing Rules, and UK tax legislation. Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation, independent confirmation from legal advisors, enquiries of management and review of significant component auditors' work. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

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

opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<i>Valuation of investment properties due to significance and subjectivity</i> Refer to page 45 (Report of the Audit and Valuation Committee), pages 76 to 77 (Notes to the financial statements – Note 13) and pages 67 and 68 (Significant accounting policies). The group's investment properties were carried at €195.6 million as at 30 September 2018 and a revaluation profit of €4.9 million was accounted for under 'Net gain from fair value adjustment on investment property' in the group statement of comprehensive income. The portfolio includes retail, industrial and office properties, and these properties are located in Germany, the Netherlands, France and Spain. The properties only include completed investments and the methodology applied in determining the valuations is set out in note 13 to the financial statements. Valuations are performed by a third party valuation firm, Knight Frank LLP (the "Valuers") quarterly. The properties are valued in accordance with the Royal Institute of Chartered Surveyors (RICS) Valuation – Professional Standards guidance and applied to the financial statements in accordance with IAS 40. The Valuers used by the group have considerable experience of the markets in which the group operates. The valuation of the group's portfolio is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rentals for that particular property. This is coupled with the fact that only a small percentage difference in individual property valuations when aggregated could result in material misstatement. Where available, the valuations take into account evidence of market transactions for properties and locations comparable to those of the properties held by the group. The most significant judgments and estimates affecting the valuations included estimated yields and estimated rental value (as described in note 13 of the financial statements).	<i>Assessing the competence, capabilities and objectivity of the valuers</i> The valuation firm used by the group is Knight Frank LLP. They are a well-known firm with considerable experience of the Group's market. We assessed the competence and capabilities of Knight Frank and checked their qualifications. We also assessed their independence by discussing the scope of their work and reviewing the terms of their engagements for unusual terms or fee arrangements. Based on this work, we are satisfied that the firm remain independent and competent and that the scope of their work was appropriate. <i>Assumptions and estimates used by the Valuer</i> We obtained details of every property held by the group and set an expected range for yield and capital value movement, determined by reference to published benchmarks and using our experience and knowledge of the market. We then obtained and read the Knight Frank LLP valuation reports for every property. We determined, based on our expertise and experience, that the valuation approach for each was in accordance with RICS standards and suitable for use in determining the carrying value for the financial statements. We compared the investment yields used by the Valuers to the expected range of yields and the year on year capital movement to our expected range. We also considered the reasonableness of other assumptions that are not so readily comparable with published benchmarks, such as Estimated Rental Value. We attended meetings with management and the Valuers, at which the valuations and the key assumptions therein were discussed. Our work covered the valuation of every property in the group, but the discussions with management and the Valuers focused on the properties in the portfolio where the assumptions used and/or year on year capital value movement suggested a possible outlier versus externally published market data for the relevant sector.

Key audit matter	How our audit addressed the key audit matter
	Our testing, which involved the use of our internal real estate valuation experts, qualified chartered surveyors with deep market knowledge, indicated that the estimates and assumptions used were appropriate in the context of the Group's property portfolio and reflected the circumstances of the market at the year end. Where assumptions were outside the expected range or otherwise appeared unusual, and/or valuations showed unexpected movements, we undertook further investigations and, when necessary, held further discussions with the Valuers and obtained evidence to support explanations received. The valuation commentaries provided by the Valuers and the supporting evidence, enabled us to consider the property specific factors that had or may have had an impact on value, including recent comparable transactions where appropriate. We also satisfied ourselves that for properties where there could be alternative use opportunities, this had been appropriately taken into account. Information and standing data We tested the data in the investment property valuation, including rental income, lease terms and purchase price, by agreeing them to the underlying records held by the group. The underlying property records were themselves tested back to signed and approved lease contracts or sale/purchase contracts and approved third party invoices on a sample basis as applicable. No issues were identified in this testing. Overall outcome Based on the work, we identified no material misstatements in the valuations.

Disposal of SCI Rennes Anglet

Refer to page 79 (Notes to the Financial Statements- Note 14). On 31 July 2018, the Group disposed of its 70% holding of SCI Rennes Anglet, which held two Casino supermarkets. The disposal occurred following the decision by the Casino Group to exercise a buy-back option on the Group's 70% share of these assets. Under the option, the sale completed on 31 July 2018. This resulted in a loss of control. The disposal during the year is considered higher risk as it is a significant non-routine transaction. We therefore placed specific audit focus on this area.

We performed the following procedures over the disposal:

- Performed substantive procedures over the share purchase agreement and recalculated the loss recorded on disposal.
- Reviewed the related disclosures in the financial statements and checked that the assets and liabilities were properly de-recognised upon the disposal.
- Checked that the carrying amount of the non-controlling interest was properly de-recognised upon the disposal.

Key audit matter	How our audit addressed the key audit matter
	We did not identify any material misstatements relating to the disposal.

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

How we tailored the audit scope

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

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

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

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

Materiality

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

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

	Group financial statements	Company financial statements
Overall materiality	€2.4 million (2017: €2.5 million)	€1.7 million (2017: €1.7 million)
Specific materiality	€0.9 million (2017: €0.6million)	N/A
How we determined it	1% of total assets 5% of pre-tax profit	1% of total assets N/A
Rationale for benchmark applied	The key driver of the business and determinant of the group's value is direct property investments. Due to this, the key area of focus in the audit is the valuation of investment properties. On this basis, we set an overall group materiality level based on total assets. In addition, a number of key performance indicators of the group are driven by statement of comprehensive income items and we therefore also applied a lower specific materiality for	The company is a holding company for the property holding companies and does not have revenue. Its biggest asset is its investment in Subsidiaries. It has a primary aim of creating capital gains and investment yield, and therefore its primary driver is total assets.

testing income statement balances except for the net valuation gain on investment property and derivatives, which is tested using the overall materiality.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between €120,000 and €1,750,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €120,000 (Group audit) (2017: € 120,000) and € 83,000 (Company audit) (2017: € 83,900) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

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

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group's and the company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

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

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

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

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

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 September 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

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

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

- We have nothing material to add or draw attention to regarding:
- The directors' confirmation on page 48 of the Annual Report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 30 of the Annual Report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

Other code provisions

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

- The statement given by the directors, on page 48, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and company obtained in the course of performing our audit.
 - The section of the Annual Report on page 45 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors
-

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 48, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the directors on 29 October 2015 to audit the financial statements for the year ended 30 September 2016 and subsequent financial periods. The period of total uninterrupted engagement is 3 years, covering the years ended 30 September 2016 to 30 September 2018.

Saira Choudhry

Saira Choudhry (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
30 November 2018

Consolidated and Company Statement of Comprehensive Income

For the year ended 30 September 2018

	Note	Group 30/09/18 €'000	Group 30/09/17 €'000	Company 30/09/18 €'000	Company 30/09/17 €'000
Rental and service charge income	3	19,900	17,296	-	-
Other income	4	2,400	-	-	-
Property operating expenses	5	(6,458)	(5,527)	-	-
Net rental and related income		15,842	11,769	-	-
Loss on disposal	14	(29)	-	-	-
Net gain from fair value adjustment on investment property	13	4,939	4,284	-	-
Realised gain/(loss) on foreign exchange	24	1	(4)	1	(4)
Net change in fair value of financial instruments at fair value through profit or loss	17	(155)	72	-	-
Management fees receivable	6	-	-	1,306	1,761
Dividends received	15,8	150	-	9,100	-
Expenses					
Investment management fee	6	(1,958)	(1,849)	(1,958)	(1,849)
Valuers' and other professional fees		(687)	(666)	(288)	(298)
Administrator's and accounting fees		(330)	(306)	(163)	(135)
Auditors' remuneration	7	(269)	(280)	(232)	(265)
Directors' fees	9	(115)	(120)	(115)	(120)
Other expenses	9	(206)	(291)	(120)	(93)
Total expenses		(3,565)	(3,512)	(2,876)	(2,760)
Operating profit/(loss)		17,183	12,609	7,531	(1,003)
Finance income		456	174	15	12
Finance costs		(962)	(918)	-	-
Net finance (costs)/income		(506)	(744)	15	12
Share of profit/(loss) from joint venture	15	407	(185)	-	-
Profit/(loss) before taxation		17,084	11,680	7,546	(991)
Taxation	10	(1,517)	(505)	-	-
Profit/(loss) for the year		15,567	11,175	7,546	(991)
Attributable to:					
Owners of the parent		13,175	10,288	7,546	(991)
Non-controlling interests		2,392	887	-	-
		15,567	11,175	7,546	(991)
Basic and diluted earnings per share attributable to owners of the parent	11	9.9c	7.7c	-	-

Consolidated and Company Statement of Comprehensive Income (continued)

For the year ended 30 September 2018

	Note	Group 30/09/18 €'000	Group 30/09/17 €'000	Company 30/09/18 €'000	Company 30/09/17 €'000
Profit/(loss) for the year		15,567	11,175	7,546	(991)
Other comprehensive income:					
<i>Other comprehensive loss items that may be reclassified to profit or loss:</i>					
Currency translation differences	24	(4)	(3)	(4)	(3)
Total other comprehensive loss		(4)	(3)	(4)	(3)
Total comprehensive income/(loss) for the year		15,563	11,172	7,542	(994)
Attributable to:					
Owners of the parent		13,171	10,285	7,542	(994)
Non-controlling interests		2,392	887	-	-
		15,563	11,172	7,542	(994)

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

Consolidated and Company Statement of Financial Position

As at 30 September 2018

	Note	Group 30/09/2018 €'000	Group 30/09/2017 €'000	Company 30/09/2018 €'000	Company 30/09/2017 €'000
Assets					
Non-current assets					
Investment property	13	195,644	202,563	-	-
Investment in subsidiaries	14	-	-	125,998	118,583
Investment in joint venture	15	6,697	6,290	-	-
Loans to joint ventures	15	10,035	10,035	-	-
Non-current assets		212,376	218,888	125,998	118,583
Current assets					
Trade and other receivables	16	12,537	2,063	35,506	34,688
Interest rate derivative contracts	17	188	273	-	-
Cash and cash equivalents	18	15,738	28,521	4,792	14,583
Current assets		28,463	30,857	40,298	49,271
Total assets		240,839	249,745	166,296	167,854
Equity					
Share capital	19	15,015	15,167	15,015	15,167
Share premium		29,912	30,215	29,912	30,216
Retained earnings/(accumulated losses)		4,397	650	(12,323)	(10,437)
Other reserves		132,745	132,294	132,978	132,522
Equity attributable to owners of the parent		182,069	178,326	165,582	167,468
Non-controlling interests	14	-	7,691	-	-
Total equity		182,069	186,017	165,582	167,468
Liabilities					
Non-current liabilities					
Interest-bearing loans and borrowings	20	52,150	58,772	-	-
Deferred tax liability	10	912	473	-	-
Non-current liabilities		53,062	59,245	-	-
Current liabilities					
Trade and other payables	21	5,081	4,483	714	386
Current tax liabilities	10	627	-	-	-
Current liabilities		5,708	4,483	714	386
Total liabilities		58,770	63,728	714	386
Total equity and liabilities		240,839	249,745	166,296	167,854
Net Asset Value per Ordinary Share	22	136.2c	133.3c	123.8c	125.2c

The financial statements on pages 61 to 88 were approved at a meeting of the Board of Directors held on 30 November 2018 and signed on its behalf by:

Sir Julian Berney Bt. Chairman 

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

Consolidated and Company Statement of Changes in Equity

For the year ended 30 September 2018

Group	Note	Share capital €'000	Share premium €'000	(Accumulated losses)/ Retained earnings €'000	Other reserves €'000	Sub-total €'000	Non-controlling interests €'000	Total equity €'000
Balance as at 1 October 2016		13,994	14,882	(3,486)	132,370	157,760	6,804	164,564
Profit for the year		-	-	10,288	-	10,288	887	11,175
Other comprehensive loss for the year		-	-	-	(3)	(3)	-	(3)
Dividends paid	12	-	-	(6,152)	-	(6,152)	-	(6,152)
New equity issuance		1,390	15,288	-	(245)	16,433	-	16,433
Unrealised foreign exchange		(217)	45	-	172	-	-	-
Balance as at 30 September 2017		15,167	30,215	650	132,294	178,326	7,691	186,017
Profit for the year		-	-	13,175	-	13,175	2,392	15,567
Other comprehensive loss for the year		-	-	-	(4)	(4)	-	(4)
Dividends paid	12	-	-	(9,428)	-	(9,428)	-	(9,428)
Share premium distribution		-	-	-	-	-	(1,510)	(1,510)
Divestment of non-controlling interests	14	-	-	-	-	-	(8,573)	(8,573)
Unrealised foreign exchange		(152)	(303)	-	455	-	-	-
Balance as at 30 September 2018		15,015	29,912	4,397	132,745	182,069	-	182,069

Company	Note	Share capital €'000	Share premium €'000	Accumulated losses ¹ €'000	Other reserves ¹ €'000	Sub-total €'000	Non-controlling interests €'000	Total €'000
Balance as at 1 October 2016		13,994	14,882	(3,291)	132,595	158,180	-	158,180
Loss for the year		-	-	(991)	-	(991)	-	(991)
Other comprehensive loss for the year		-	-	(3)	-	(3)	-	(3)
Dividends paid	12	-	-	(6,152)	-	(6,152)	-	(6,152)
New equity issuance		1,390	15,289	-	(245)	16,434	-	16,434
Unrealised foreign exchange		(217)	45	-	172	-	-	-
Balance as at 30 September 2017		15,167	30,216	(10,437)	132,522	167,468	-	167,468
Profit for the year		-	-	7,546	-	7,546	-	7,546
Other comprehensive profit for the year		-	-	(4)	-	(4)	-	(4)
Dividends paid	12	-	-	(9,428)	-	(9,428)	-	(9,428)
Unrealised foreign exchange		(152)	(304)	-	456	-	-	-
Balance as at 30 September 2018		15,015	29,912	(12,323)	132,978	165,582	-	165,582

¹These reserves form the distributable reserves of the Company and may be used to fund distribution of profits to investors via dividends payments. See Note 1 for further detail.

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

Consolidated and Company Statement of Cash Flows

For the year ended 30 September 2018

		Group 30/09/2018 €'000	Group 30/09/2017 €'000	Company 30/09/2018 €'000	Company 30/09/2017 €'000
	Note				
Operating activities					
Profit/(loss) before tax for the year		17,084	11,680	7,546	(991)
Adjustments for:					
Loss on disposal		29	-	-	-
Net gain from fair value adjustment on investment property	13	(4,939)	(4,284)	-	-
Share of (profit)/loss of joint venture	15	(407)	185	-	-
Realised foreign exchange (gains)/losses	24	(1)	4	(1)	4
Finance income		(456)	(174)	(15)	(12)
Finance costs		962	918	-	-
Net change in fair value of financial instruments through profit or loss	17	155	(72)	-	-
Dividends received from joint venture		(150)	-	-	-
Operating cash generated from before changes in working capital		12,277	-	7,530	-
(Increase)/decrease in trade and other receivables		(3,122)	434	(818)	(509)
Increase/(decrease) in trade and other payables		2,300	1,647	328	(264)
Cash generated from/(used in) operations		11,455	10,338	7,040	(1,772)
Finance costs paid		(1,255)	(751)	-	-
Finance income received		456	9	15	-
Tax paid		(384)	(145)	-	-
Net cash generated from/(used in) operating activities		10,272	9,451	7,055	(1,760)
Investing activities					
Acquisition of investment property		(51,992)	(33,171)	-	-
Investment in subsidiaries	14	-	-	(7,415)	-
Proceeds from disposal	14	19,740	-	-	-
Receipt of loan repayment	14	7,215	-	-	-
Investment in joint ventures		-	(16,510)	-	-
Dividends received from joint venture	15	150	-	-	-
Net cash used in investing activities		(24,887)	(49,681)	(7,415)	-
Financing activities					
Proceeds from borrowings	20	13,000	-	-	-
Interest rate cap purchased	17	(227)	-	-	-
Share issue net proceeds		-	16,434	-	16,434
Dividends paid	12	(9,428)	(6,152)	(9,428)	(6,152)
Share premium distribution	14	(1,510)	-	-	-
Net cash generated from/(used in) financing activities		1,835	10,282	(9,428)	10,282
Net (decrease)/increase in cash and cash equivalents for the year		(12,780)	(29,948)	(9,788)	8,522
Opening cash and cash equivalents		28,521	58,476	14,583	6,068
Effects of exchange rate change on cash		(3)	(7)	(3)	(7)
Closing cash and cash equivalents	18	15,738	28,521	4,792	14,583

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

Notes to the Financial Statements

1. Significant accounting policies

Schroder European Real Estate Investment Trust plc ('the Company') is a closed-ended investment company incorporated in England and Wales. The consolidated financial statements of the Company for the year ended 30 September 2018 comprise those of the Company and its subsidiaries (together referred to as the 'Group'). The Group holds a portfolio of investment properties in continental Europe. The shares of the Company are listed on the London Stock Exchange (primary listing) and the Johannesburg Stock Exchange (secondary listing). The registered office of the Company is 1 London Wall Place, London, England, EC2Y 5AU.

Statement of compliance

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

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

Basis of preparation

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

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

Going concern

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

Use of estimates and judgements

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

The most significant estimates made in preparing these financial statements relate to the carrying value of investment properties, as disclosed in note 13, including those within joint ventures, which are stated at fair value as it is inherently subjective because the valuer makes assumptions which may not prove to be accurate. The Group uses external professional valuers to determine the relevant amounts.

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

Basis of consolidation

Subsidiaries

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

Non-controlling interests

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

Transactions eliminated on consolidation

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

Joint arrangements

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

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

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

Investment property

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

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

After initial recognition, investment properties are measured at fair value with unrealised gains and losses recognised in the Statement of Comprehensive Income. 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 25, 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. None of the borrowing costs are capitalised.

Leases

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

Properties leased out under operating leases are included in investment property in the Consolidated Statement of Financial Position (Note 13).

Financial assets and liabilities

Non-derivative financial instruments

Assets

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

Trade and other receivables

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

Cash and cash equivalents

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

Liabilities

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

Loans and borrowings

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

Trade and other payables

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

Derivative financial assets and liabilities

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

Share capital

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

Share premium

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

Other reserves

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

Dividends

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

Impairment

Financial assets

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

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

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

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

Non-financial assets

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

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

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

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

Revenue

Rental income

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

Surrender premium income

Surrender premium income is recognised on a receipts basis.

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 costs

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

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

Expenses

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

Taxation

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

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

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted, or substantially enacted, by the date of the

statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Segmental reporting

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

Foreign currency translation

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

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

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

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

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

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

2. New standards and interpretations

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

– Income taxes – Amendments to IAS 12

No new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 January 2018, have had a material impact on the Group or Company.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2018, 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.

Certain standards which could be expected to have an impact on the consolidated financial statements are discussed in further detail below.

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 alignment of the classification and measurement model under IFRS 9 will result in changes in the classification of all financial assets excluding derivatives. It introduces new impairment requirements in relation to financial assets, moving from an 'incurred loss' model to an 'expected loss' model, meaning that expected future credit losses must be recognised on all financial assets held at amortised cost. A

new hedge accounting model is also introduced along with new disclosures. These changes resulting from the introduction of IFRS 9 will not have a material impact on the Group's financial statements.

IFRS 15, 'Revenue from contracts with customers', deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The new standard does not apply to rental income which is within the scope of IAS 17, but does apply to service charge income, management and performance fees and trading property disposals. The changes resulting from the introduction of IFRS 15 will have a qualitative impact on service charge income. There will no other material impact on the Group's financial statements.

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. As the Group only holds freehold assets it is expected that IFRS 16 will not have a material impact on the Company's financial statements.

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. Rental and service charge income

	Group 30/09/2018 €'000	Group 30/09/2017 €'000	Company 30/09/2018 €'000	Company 30/09/2017 €'000
Rental income	13,708	12,044	-	-
Service charge income	6,192	5,252	-	-
	19,900	17,296	-	-

4. Other income

Other income relates to a surrender premium agreement at the Group's Hamburg office asset in Germany, part of the principal of which was received during the year.

5. Property operating expenses

	Group 30/09/2018 €'000	Group 30/09/2017 €'000	Company 30/09/2018 €'000	Company 30/09/2017 €'000
Repairs and maintenance	1,756	1,360	-	-
Service charge, insurance and utilities on vacant units	2,716	2,718	-	-
Real estate taxes	1,587	1,075	-	-
Property management fees	206	269	-	-
Other	193	105	-	-
	6,458	5,527	-	-

All the above amounts relate to service charge expenses which are all recoverable except for €266,000 (2017: €275,000).

6. Material agreements

Schroder Real Estate Investment Management Limited ("SREIM") is the Investment Manager to the Company. The Investment Manager is entitled to a fee together with reasonable expenses incurred in the performance of its duties. The fee is payable monthly in arrears and shall be an amount equal to one twelfth of the aggregate of 1.1% of the EPRA NAV of the Group. The Investment Management Agreement can be terminated by either party on not less than twelve months written notice, such notice not to expire earlier than the third anniversary of Admission, or on immediate notice in the event of certain breaches of its terms or the insolvency of either party. The total charge to profit and loss during the year was €1,958,000 (2017: €1,849,000). At the year end €318,000 (2017: €125,000) was outstanding.

SREIM provides accounting services to the Group with a minimum contracted annual charge of €79,000 (€70,000). The total charge to the Group was €106,000 (2017: €79,000). At the year end €17,000 (2017: €7,000) was outstanding.

SREIM provides administrative and company secretarial services to the Group with a contracted annual charge of €57,000 (€50,000). The total charge to the Group was €57,000 (2017: €56,000). At the year end €9,000 (2017: €5,000) was outstanding.

Details of Directors' fees are disclosed in Note 9.

Details of loans from Mercialys, a related party, are disclosed in Note 20.

Details of loans to Urban SEREIT Holdings Spain S.L., a related party, are disclosed in Note 15.

The Company received management fees of €1,306,000 (2017: €1,761,000) from subsidiary companies during the year. The amounts recharged to subsidiaries and outstanding are provided in the table below.

Subsidiary	Fees recharged during the year		Fees outstanding as at 30 September 2018	
	2018	2017	2018	2017
		€'000		€'000
SCI SEREIT Rumilly	16	-	16	-
SCI 221 Jean Jaures	326	696	388	203
SEREIT Berlin DIY Sàrl	202	417	240	125
SEREIT Hamburg Sàrl	127	183	151	80
SEREIT Stuttgart Sàrl	121	171	144	74
SEREIT Frankfurt Sàrl	89	131	106	56
SCI SEREIT Directoire	272	163	322	163
SEREIT Apeldoorn Sàrl	115	-	115	-
SEREIT UV Sàrl	38	-	38	-
Total	1,306	1,761	1,520	701

7. Auditors' remuneration

The Group's total audit fees for the year are €269,000 (2017: €280,000) which includes the Group's audit and the individual SPV audits fees. The Company's total audit fees for the year were €232,000 (2017: €265,000) which only covers the Group audit fee.

Non-audit fees charged to the Group by the auditors during the year were €6,000 (2017: €4,000). The interim review fee paid during the year was €37,000 (2017: €34,000).

8. Dividends received

During the year the Group received dividends of €150,000 from its Joint Venture operation Urban SEREIT Holdings Spain S.L. (see Note 15).

During the year the Company received dividends from its subsidiary undertakings. €7,600,000 was received from SEREIT (Jersey) Limited and €1,500,000 was received from SEREIT Holdings Sàrl.

9. Other expenses

	Group 30/09/2018 €'000	Group 30/09/2017 €'000	Company 30/09/2018 €'000	Company 30/09/2017 €'000
Directors' and officers' insurance premium	9	10	9	9
Bank charges	37	45	8	7
Regulatory costs	32	32	42	7
Marketing	48	28	48	28
Other expenses	80	176	13	42
	206	291	120	93

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 €105,325 (2017: €109,280), as set out in the Remuneration Report on pages 49 and 50. The total charge for directors' fees was €115,000 (2017: €120,000), which included employer's national insurance contributions.

10. Taxation

	30/09/2018 €'000	30/09/2017 €'000
Current tax charge	1,078	62
Deferred tax charge	439	443
Tax expense in year	1,517	505
Reconciliation of effective tax rate		
Profit before taxation	17,084	11,680
Effect of:		
Tax charge at weighted average corporation tax rate of 23.49% (2017 - 18.88%)	4,013	2,205
Tax exempt income	(3,912)	(1,831)
Tax adjustment on net revaluation gain	119	-
Current year loss for which no deferred tax is recognised	403	205
Tax adjustment of share of joint venture (profit)/loss	(139)	46
Minimum Luxembourg tax charges	152	62
Withholding tax	618	-
Tax adjustment of property depreciation and tax losses	100	-
Timing difference	(45)	-
Other permanent differences	208	(182)
Total tax expense in the year	1,517	505

A potential deferred tax asset of €403,000 (2017: €17,000) arose on tax losses which has not been provided for.

The tax charge of €1,517,000 (2017: €505,000) includes deferred tax charge of €263,000 (2017: €443,000) which was provided in relation to investment property revaluation gains, and the deferred tax liability at the year end was €736,000 (2017: €473,000).

Under the current France-Luxembourg double tax treaty, dividends paid by OPPCI SEREIT France to SEREIT Holdings are subject to withholding tax at a rate of 5%. However, this treaty is in the process of being renegotiated. Proposed changes to the treaty mean, among other things, that the withholding tax rate on dividends paid by OPPCI SEREIT France to SEREIT Holdings could increase from 5% to 30%. The amended tax treaty will enter into force as at 1 January 2019 if both the governments of France and Luxembourg ratify the amendment before the end of 2018.

The European Commission ('EC') is currently undertaking an investigation into whether the 75% and 100% group financing exemptions under the UK controlled foreign companies rules breach EU state aid rules. SEREIT (Jersey) Limited is reliant on this exemption to exempt it from UK corporation tax on interest receipts received on its loans provided intra-group. It is expected that the EC is to release its decision in late 2018/early 2019.

The Company has actively monitored both items and is taking actions to mitigate the impact to the Group where relevant.

11. Earnings per share

Basic earnings per share

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

	30/09/2018	30/09/2017
Net profit attributable to shareholders	€13,175,000	€10,288,000
Weighted average number of ordinary shares in issue	133,734,686	132,775,782
Basic earnings per share (cents per share)	9.9	7.7

Diluted earnings per share

The Group has no dilutive potential ordinary shares and hence the diluted earnings per share is the same as the basic earnings per share in both 2017 and 2018.

Headline earnings per share

The headline earnings and diluted headline earnings for the Group is 8.1 euro cents per share (2017: 5.2 euro cents per share) as detailed on page 89.

12. Dividends paid

Interim dividends of €9,428,000 (2017: €6,152,000) were paid to shareholders during the year as follows:

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

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

13. Investment property

Group

	Freehold €'000
Fair value at 1 October 2016	165,365
Property acquisitions	29,928
Acquisition costs	2,986
Net valuation gain on investment property	4,284
Fair value as at 30 September 2017	202,563
Property acquisitions	48,169
Acquisition costs	3,973
Net valuation gain on investment property	4,939
Disposals	(64,000)
Fair value as at 30 September 2018	195,644

There were no leasehold properties held during the year (2017: Nil) and the respective sectors held were as follows:

Sector	2018	2017
Industrial	28,600	-
Retail (including retail warehousing)	37,650	95,400
Offices	129,394	107,163
Total	195,644	202,563

The fair value of investment properties as determined by the valuer totals €195,950,000 (2017: €202,700,000). The fair value of investment properties disclosed above includes a tenant incentive adjustment of €306,000 (2017: €137,000).

The net valuation gain on investment property of €4,939,000 (2017: €4,284,000) consists of net property revaluation gains of €5,108,000 (2017: €4,285,000) and a movement of the above mentioned tenant incentive adjustment of €169,000 (2017: €1,000).

The fair value of investment property has been determined by Knight Frank LLP, a firm of independent chartered surveyors, who are registered independent appraisers. The valuation has been undertaken in accordance with the RICS Valuation – Global Standards 2017, incorporating the International Valuations Standards, and RICS Professional Standards UK January 2014 (revised April 2015).

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

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

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

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:

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

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

Notes:

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

²Weighted by market value.

³This table includes the joint venture investment property valued at €52.0 million which is disclosed within the summarised information within note 15 as part of total assets.

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

Notes:

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

²Weighted by market value.

³This table includes the joint venture investment property valued at €52.9 million which is disclosed within the summarised information within note 15 as part of total assets.

Sensitivity of measurement to variations in the significant unobservable inputs

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

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

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

Estimated movement in fair value of investment properties at 30 September 2018	Industrial €'000	Retail €'000	Office €'000	Total €'000
Increase in ERV by 5%	800	3,500	5,700	10,000
Decrease in ERV by 5%	-900	-3,500	-5,550	-9,950
Increase in net initial yield by 0.25%	-1,150	-4,000	-6,000	-11,150
Decrease in net initial yield by 0.25%	1,100	4,350	6,700	12,150

14. Investment in subsidiaries

Company	2018 €'000	2017 €'000
Balance as at 1 October	118,583	118,583
Additions	7,415	-
Balance as at 30 September	125,998	118,583

During the year SEREIT Plc made a further investment of €7,415,000 in SEREIT Holdings Sàrl.

The subsidiary companies listed below are those which were part of the Group as at 30 September 2018. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group and the proportion of ownership of interests held equals the voting rights held by the Group.

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

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

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

Summarised non-wholly-owned subsidiary financial information:	2018 €'000	2017 €'000
Total assets	-	62,243
Total liabilities	-	(36,609)
Net assets	-	25,634
Allocated to non-controlling interests	-	7,691
Revenues for the year	5,733	5,867
Total comprehensive profit/(loss) for the year	7,974	2,955
Allocated to non-controlling interests	2,392	887
Cash flows from operating activities	2,925	3,168
Cash flows from financing activities	(5,526)	(536)
Net (decrease)/increase in cash and cash equivalents	(2,601)	2,632

15. Investment in joint venture

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

Group	2018	2017
	€'000	€'000
Balance as at 1 October	6,290	-
Purchase of interest in joint venture	-	6,475
Share of profit/(loss) for the year	557	(185)
Dividends	(150)	-
Balance as at 30 September	6,697	6,290

The carrying value equals the fair value.

Summarised joint venture financial information:	2018	2017
	€'000	€'000
Total assets	58,444	59,719
Total liabilities	(45,050)	(47,139)
Net assets	13,394	12,580
Net asset value attributable to the Group	6,697	6,290
Revenues for the year	5,464	2,200
Total comprehensive profit/(loss)	1,114	(370)
Total comprehensive profit/(loss) attributable to the Group	557	(185)

In 2017 and 2018 within total liabilities of the joint venture is a €23.4 million loan facility with Münchener Hypothekenbank eG. The facility matures on 22 May 2024 and carries a fixed interest rate of 1.76% payable quarterly. The facility was subject to a 0.3% arrangement fee which is being amortised over the period of the loan. The debt has a LTV covenant of 60% and a minimum net rental income covenant. The lender has a charge over the property owned by the Group with a value of €52.0 million. A pledge of all shares in the borrowing Group company is in place.

In 2017 and 2018 within total liabilities of the joint venture there is also a loan amount of €10.0 million owed to the Group. The loan is expected to mature at the same time as the above-mentioned bank loan and carries a fixed interest rate of 4.37% payable quarterly.

Both of the above-mentioned loans were in place during the prior year ended 30 September 2017 under the same terms.

16. Trade and other receivables

	Group	Group	Company	Company
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
	€'000	€'000	€'000	€'000
Rent and service charges receivable	1,042	1,546	-	-
Monies held by property managers	209	228	-	-
Amounts due from subsidiary undertakings	-	-	35,467	33,947
Other debtors and prepayments	11,286	289	39	741
	12,537	2,063	35,506	34,688

Included within the Group's other debtors and prepayments is a receivable of €9,250,000 (2017 – €Nil) comprising cash pursuant to a new bank loan with HSBC Bank Plc which was received on 1 October 2018. See Note 20 for details of the loan.

Other debtors and prepayments includes tenant incentives of €306,000 (2017: €137,000). There were no provisions against the above amounts in 2018 (2017: Nil).

17. Interest rate derivative contracts

The Group has an interest rate cap in place which was purchased for €227,000 from BRED Banque Populaire on 15 December 2017 in connection to a €13.0m loan facility drawn from the same bank with a maturity date of December 2024. The cap interest rate is 1.25% with a floating rate option being Euribor 3 months. In line with IAS 39, this derivative is reported in the financial statements at its fair value. As at 30 September 2018 the fair value of the interest rate cap was €188,000, giving a valuation decrease as shown within the Statement of Comprehensive Income of €39,000. Transaction costs incurred in obtaining the instrument are being amortised over the extended period of the above-mentioned loan. The notional value of the instrument is €13.0 million.

As at 30 September 2017 the Group had an interest rate cap in place which was 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 was 1.25% with a floating rate option being Euribor 3 months. In line with IAS 39 this derivative was reported in the financial statements at its fair value. As at 30 September 2017 the fair value of the interest rate cap was €273,000. Transaction costs incurred in obtaining the instrument were being amortised over the extended period of the above mentioned loan. The notional value of the instrument is €26.0 million. This interest rate cap was purchased by the Group's subsidiary SCI Rennes Anglet. This subsidiary was disposed of during the year ended 30 September 2018 when the valuation of the interest rate cap was €157,000 giving a valuation decrease of €116,000 as shown in the Statement of Comprehensive Income.

18. Cash and cash equivalents

	Group 30/09/2018 €'000	Group 30/09/2017 €'000	Company 30/09/2018 €'000	Company 30/09/2017 €'000
Cash at bank and in hand	15,738	28,521	4,792	14,583

19. Share capital

	Group 30/09/2018 €'000	Group 30/09/2017 €'000	Company 30/09/2018 €'000	Company 30/09/2017 €'000
Ordinary share capital	15,015	15,167	15,015	15,167

Share capital

As at 30 September 2018, the share capital of the Company was represented by 133,734,686 Ordinary Shares (2017: 133,734,686 Ordinary Shares) with a par value of 10.00 pence.

Issued share capital

As at 30 September 2018, the Company had 133,734,686 ordinary shares in issue (no shares were held in treasury). The total number of voting rights of the Company at 30 September 2018 was 133,734,686 (2017: 133,734,686).

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

20. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate risk see note 23.

	Group 30/09/2018 €'000	Group 30/09/2017 €'000	Company 30/09/2018 €'000	Company 30/09/2017 €'000
At 1 October	58,772	58,724	-	-
Receipt of borrowings	22,250	-	-	-
Disposal – loans	(29,064)	-	-	-
Disposal – finance costs	472	-	-	-
Capitalisation of finance costs	(416)	(80)	-	-
Amortisation of finance costs	136	128	-	-
At 30 September	52,150	58,772	-	-

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

Bank loan – HSBC Bank PLC

During the year the Group entered into a loan facility of €9.25 million with HSBC Bank PLC.

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

The lender has a charge over properties owned by the Group with a value of €20,000,000. A pledge of all shares in the borrowing Group company is in place.

Bank loan – BRED Banque Populaire

During the year the Group entered in to a new loan facility totalling €13.00 million with BRED Banque Populaire.

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

The lender has a charge over property owned by the Group with a value of €35,500,000. A pledge of all shares in the borrowing Group company is in place.

Bank loan – Credit Agricole Corporate and Investment Bank

The Group had a €26.0 million loan facility with Credit Agricole Corporate and Investment Bank held by a subsidiary undertaking, SCI Rennes Anglet. During the year the Group disposed of this subsidiary and therefore the loan no longer forms part of Group borrowings.

Business partner loan – Mercialys

The Group had 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 balance outstanding as at 30 September 2017 was €3.06 million. During the year the Group disposed of this subsidiary and therefore the loan no longer forms part of Group borrowings.

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

Bank loan – Deutsche Pfandbriefbank AG

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

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

1.31%. An additional fixed fee of 0.30% per annum was payable until certain conditions relating to the Frankfurt property were fulfilled on 30 December 2016. The facility was subject to a 0.35% arrangement fee which is being amortised over the period of the loan. The debt has an LTV covenant of 65% and the debt yield must be at least 8.0%

The lender has a charge over property owned by the Group with a value of €69,850,000. A pledge of all shares in the borrowing Group companies is in place.

21. Trade and other payables

	Group 30/09/2018 €'000	Group 30/09/2017 €'000	Company 30/09/2018 €'000	Company 30/09/2017 €'000
Rent received in advance	514	356	-	-
Rental deposits	1,546	1,443	-	-
Interest payable	9	101	-	-
Retention payable	79	96	-	-
Accruals	2,052	1,673	714	386
VAT payable	297	694	-	-
Trade payables	584	120	-	-
	5,081	4,483	714	386

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

Included within the Group's accruals are amounts relating to management fees of €318,000 (2017: €125,000) and property expenses of €770,000 (2017: €1,037,000).

22. Net asset value per ordinary share

The NAV per Ordinary Share of 136.2 cents per share (2017: 133.3 cents per share) is based on the net assets attributable to ordinary shareholders of the Group of €182,069,000 (2017: €178,326,000), and 133,734,686 Ordinary Shares in issue at 30 September 2018 (2017: 133,734,686 Ordinary Shares).

23. Financial instruments, properties and associated risks

Financial risk factors

The Group holds cash and liquid resources as well as having debtors and creditors that arise directly from its operations. The Group uses interest rate 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 re-lease 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 currency risk, credit risk and interest rate risk which are discussed further below.

Currency risk

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

	Group 30/09/2018	Group 30/09/2017	Company 30/09/2018	Company 30/09/2017
Net Assets	€'000	€'000	€'000	€'000
Euros	182,206	185,905	165,719	167,356
Sterling	(201)	24	(201)	24
Rand	64	88	64	88
	182,069	186,017	165,582	167,468

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

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

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

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

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

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

	30/09/2018 Carrying amount €'000	30/09/2017 Carrying amount €'000
Office	827	586
Retail	63	960
Industrial	152	-
	1,042	1,546

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

	30/09/2018 Carrying amount €'000	30/09/2017 Carrying amount €'000
0-30 days	1,042	1,487
31-60 days	-	-
61-90 days	-	12
91 days plus	-	47
	1,042	1,546

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 sale's price even where such sales occur shortly after the valuation date. Investments in property are relatively illiquid. However, the Group has tried to mitigate this risk by investing in properties that it considers to be good quality.

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

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

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

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

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 2018, the fair value of the Group's €52.8 million loans were equal to their carrying amount (2017: €59.7 million).

A 1% increase or decrease in short-term interest rates would increase or decrease the annual income and equity by €0.1m (2017: €0.3m) based on the net of cash and variable debt balances as at 30 September 2018.

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 (2017: none).

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

Investment property – level 3

Fair value is based on valuations provided by an independent firm of chartered surveyors and registered appraisers. These values were determined after having taken into consideration recent market transactions for similar properties in similar locations to the investment properties held by the Group. The fair value hierarchy of investment property is level 3. See Note 13 for further details.

Interest-bearing loans and borrowings – level 2

Fair values are based on the present value of future cash flows discounted at a market rate of interest. Issue costs are amortised over the period of the borrowings. As at 30 September 2018 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. Refer to Note 17 for further detail.

Capital management

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

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

	30/09/2018 €'000	30/09/2017 €'000
Debt		
Loan facilities	52,159	58,873
Equity		
Called-up share capital and share premium	44,927	45,382
Reserves	137,142	132,944
Total equity	182,069	178,326
Total debt and equity	234,228	237,199

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

24. Foreign exchange

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

Realised currency gains of €1,000 (2017: €4,000 loss) arose on sundry corporate expense transactions.

An unrealised currency loss of €4,000 (2017: €3,000 loss) arose when monetary assets and liabilities held by the Group were retranslated into euros at the year end for reporting purposes.

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

At each year end the Group retranslates its sterling denominated share capital, share premium and other reserves into euros using the period end exchange rate. At 30 September 2018, the cumulative unrealised currency loss arising on this retranslation was €29.2m (2017: €27.7m). This amount appears within the Statement of Changes in Equity as part of Other Reserves.

25. Operating leases

The Group leases out its investment property under operating leases. At 30 September 2018 the future minimum lease receipts under non-cancellable leases are as follows:

	30/09/2018 €'000	30/09/2017 €'000
Less than one year	13,365	12,811
Between one and five years	37,497	27,944
More than five years	21,177	11,698
	72,039	52,453

The total above comprises the total contracted rent receivable as at 30 September 2018.

26. Related party transactions

Material agreements are disclosed in note 6 and loans from related parties are disclosed in note 20. Directors' emoluments are disclosed in note 9.

Details of dividends received from the joint venture are disclosed in Note 15 (2017: nil).

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

	30/09/2018 €'000	30/09/2017 €'000
Interest paid by SCI Rennes Anglet	(37)	(55)
Interest received from Urban SEREIT Holdings Spain S.L.	445	166

27. Capital commitments

At 30 September 2018 the Group had capital commitments of €293,590 (2017: None).

28. Post balance sheet events

There were no significant post balance sheet events.

EPRA and headline performance measures (unaudited)

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

EPRA performance measures: summary table

	30/09/2018	30/09/2017
	Total €'000	Total €'000
EPRA earnings	10,830	6,947
EPRA earnings per share	8.1	5.2
EPRA NAV	182,793	178,608
EPRA NAV per share	136.7	133.6
EPRA NNNAV	182,793	178,608
EPRA NNNAV per share	136.7	133.6
EPRA Net initial yield	6.4%	6.0%
EPRA topped-up net initial yield	6.4%	6.0%
EPRA vacancy rate	1.5%	1.5%

a. EPRA Earnings and Earnings per Share

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

	30/09/2018 €'000	30/09/2017 €'000
Total IFRS comprehensive income/(loss)	15,563	11,172
Adjustments to calculate EPRA Earnings:		
Net gain from fair value adjustment on investment property	(4,939)	(4,284)
Exchange differences on monetary items (unrealised)	4	3
Loss on disposal of investment properties, development properties held for investment and other interests	29	-
Withholding tax on profits on disposal	279	-
Share of joint venture loss on investment property	(8)	429
Non-controlling interest's net revenue	(692)	(744)
Deferred tax	439	443
Net change in fair value of financial instruments	155	(72)
EPRA Earnings	10,830	6,947
Weighted average number of ordinary shares	133,734,686	132,775,782
IFRS Earnings/(loss) per share (cents per share)	9.9	7.7
EPRA Earnings per share (cents per share)	8.1	5.2

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.

	30/09/2018 €'000	30/09/2017 €'000
IFRS Group NAV per financial statements	182,069	186,017
Adjustment for Minority Interests	-	(7,609)
Deferred tax	912	473
Adjustment for fair value of financial instruments	(188)	(273)
EPRA NAV	182,793	178,608
Shares in issue at end of year	133,734,686	133,734,686
IFRS Group NAV per share	136.2	139.1
EPRA NAV per share	136.7	133.6

c. EPRA NNNAV per share

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

	30/09/2018 €'000	30/09/2017 €'000
EPRA NAV	182,793	178,608
Adjustments to calculate EPRA NNNAV:		
Fair value of debt	-	-
EPRA NNNAV	182,793	178,608
EPRA NNNAV per share	136.7	133.6

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.

	30/09/2018 €'000	30/09/2017 €'000
Investment property – share of subsidiaries	195,950	185,240
Investment property – share of joint ventures and funds	26,000	26,450
Complete property portfolio	221,950	211,690
Allowance for estimated purchasers' costs	15,537	14,818
Gross up completed property portfolio valuation	237,487	226,508
Annualised cash passing rental income	15,900	14,200
Property outgoings	(800)	(700)
Annualised net rents	15,100	13,500
Notional rent expiration of rent free periods	200	100
Topped-up net annualised rent	15,300	13,600
EPRA NIY	6.4%	6.0%
EPRA 'topped-up' NIY	6.4%	6.0%

e. Headline Earnings reconciliation

	30/09/2018	30/9/2017
	€'000	€'000
Total comprehensive profit/(loss)	15,563	11,172
Adjustments to calculate Headline Earnings exclude:		
Net valuation (profit)/loss on investment property	(4,939)	(4,284)
Profits or losses on disposal of investment properties, development properties held for investment and other interests	29	-
Withholding tax on profits on disposal	279	-
Share of joint venture loss on investment property	(8)	429
Minority interests net revenue	(692)	(744)
Deferred tax	439	443
Net change in fair value of financial instruments	155	(72)
Headline Earnings	10,826	6,944
Weighted average number of ordinary shares	133,734,686	132,775,782
Headline Earnings per share (cents per share)	8.1	5.2

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

EPRA and sustainability performance measures (unaudited)

The Company reports sustainability information in accordance with EPRA Best Practice Recommendations on Sustainability Reporting (SBPR) 2017, 3rd Edition for the 12 months 1st April 2017 – 31 March 2018 presented with comparison against 2016/17.

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

In 2017/18, out of the total 10 assets held by the Company at 31 March 2018, only four were within the operational control reporting boundary of the Company (i.e. 'managed'): Frankfurt, Hamburg and Stuttgart Germany and Seville Spain. In 2016/17, there were three such managed assets within the portfolio. The increase in the number of managed assets between reporting years reflects the acquisition of a managed shopping centre in Seville, Spain part-way through 2017.

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

SEREIT does not have any direct employees; it is served by the employees of the Investment Manager. Accordingly, the EPRA Overarching Recommendation for companies to report on the environmental impact of their own offices is not relevant/material and not presented in this report. SEREIT does not have any green building certificates (e.g. BREEAM) within its portfolio. Therefore, EPRA's BPR indicator Cert-Tot reporting below covers Energy Performance Certificates only (green building certification is not relevant and therefore not reported). This report has been prepared by energy and sustainability consultants, EVORA Global.

Total energy consumption (Elec-Abs; DH&C-Abs; Fuels-Abs)

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

	Total electricity consumption (kWh)		Total fuel consumption (kWh)		Total district heating consumption (kWh)	
Sector	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
Office	124,166	128,888	-	-	578,328	543,907
Coverage	2/2	2/2	-	-	2/2	2/2
Retail, Shopping Centre	64,296	1,211,401	282,679	280,330	-	-
Coverage	1/1	2/2	1/1	2/2	-	-
Sub-total	188,462	1,340,289	282,679	280,330	578,328	543,907
Coverage	3/3	4/4	1/1	2/2	2/2	2/2
Total (Electricity, fuel and district heating)	1,049,470	2,164,526				
Coverage	3/3	4/4				
Renewable electricity %	0%	32%				
Coverage	3/3	4/4				

Consumption data relates to the managed portfolio only:

- Offices: Common parts and shared service electricity and whole building district heating or gas; and
- Retail, Shopping Centre: Common parts and shared service electricity and whole building district heating or gas

Estimation: 1.4% of the electricity data and 0% of the district heating/fuels data has been estimated.

Renewable electricity (%) is calculated according to the attributes of energy supply contracts as at 31 March 2018.

All energy was procured from a third-party supplier. No 'self-generated' renewable energy was consumed during the reporting period and therefore is not presented here.

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

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

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

Sector	Total electricity (kWh)			Total fuels (kWh)			Total district heating (kWh)			Energy Intensity (kWh/m ²)	
	2016/17	2017/18	Change	2016/17	2017/18	Change	2016/17	2017/18	Change	2016/17	2017/18
Office	124,166	126,985	2.3%	-	-	-	578,328	543,907	-6.0%	51	49
Coverage	2/2	2/2		-	-		2/2	2/2		2/2	2/2
Retail, shopping centre	64,296	69,204	7.6%	282,679	280,330	-0.8%	-	-	-	57	61
Coverage	1/1	1/1		1/1	1/1		-	-		1/1	1/1
Sub-total	188,462	196,189	4.1%	282,679	280,330	-0.8%	578,328	543,907	-6.0%		
Coverage	3/3	3/3		1/1	1/1		2/2	2/2			
Total (Electricity, fuel and district heating)	1,049,470	1,020,426	-2.8%								
Coverage	3/3	3/3									

Like-for-like excludes assets that were purchased, sold or under refurbishment during the two years reported.

Consumption data relates to the managed portfolio only:

- Offices: Common parts and shared service electricity and whole building district heating or gas; and
- Retail, shopping centre: Common parts and shared service electricity, and whole building district heating or gas

Estimation: 1.4% of the electricity data and 0% of the district heating/fuels data has been estimated.

Intensity: An intensity measure is reported for assets within the like-for-like portfolio. Numerators /denominators are aligned as follows:

- Office: Common areas and shared service energy consumption divided by net lettable area (NLA m²)
- Retail, shopping centre: Common parts energy consumption divided by common parts area (m²). As common parts area is not typically measured and therefore known, we have taken the known net lettable area and applied an internal benchmark: common part area is equal to 25% of net lettable area

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

Greenhouse gas emissions (GHG-Dir-Abs; GHG-Indir-Abs; GHG-Int)

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

Sector	Absolute emissions (tCO ₂ e)		Like-for-like intensity (kg CO ₂ e/m ²)	
	2016/17	2017/18	2016/17	2017/18
Office				
Scope 1	-	-	12.4	12.0
Scope 2	172	164		
Coverage	2/2	2/2	2/2	2/2
Retail, shopping centre				
Scope 1	57	56	26	28
Scope 2	30	366		
Coverage	1/1	2/2	1/1	1/1
Total scope 1	57	56		
Total scope 2	202	530		
Total scope 1 and 2	259	586		
Coverage	3/3	4/4		

Methodology:

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

Country	Electricity	Gas	District heating
Germany	CO ₂ Emissions from Fuel Combustion 2017, International Energy Agency	Federal Ministry of the Environment report 'CO ₂ emission factors for fossil fuels'	Federal Ministry of the Environment report 'A Study of Specific Greenhouse Gas Emissions Factors for District Heating'
Spain		UK Government conversion factors for company reporting, Department for Environment, Food and Rural Affairs	EPA Climate Leaders Greenhouse Gas Inventory Protocol Core Module Guidance – Indirect Emissions from Purchases/Sales of Electricity and Steam (2008)

GHG emissions from electricity (Scope 2) are reported according to the 'location-based' approach.

GHG emissions are presented as kilograms of carbon dioxide equivalent (kgCO₂e), where available greenhouse gas emissions conversion factors allow.

Emissions' data relates to the managed portfolio only:

- Offices: Common parts and shared service electricity, and whole building district heating or gas
- Retail, shopping centre: Common parts and shared service electricity, and whole building district heating or gas
- GHG emissions associated with electricity consumed directly by tenants is not reported

Estimation: 1.4% of the electricity data and 0% of the district heating/fuels data has been estimated.

Intensity: An intensity measure is reported for assets within the like-for-like portfolio. Numerators /denominators are aligned as follows:

- Office – Common areas and shared service GHG emissions divided by net lettable area (NLA m²)

- Retail, shopping centres – Common parts GHG emissions divided by common parts area (m²). As common parts area is not typically measured and therefore known, we have taken the known net lettable area and applied an internal benchmark: common part area is equal to 25% of net lettable area

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

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

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

Sector	Absolute mains water consumption (m ³)		Like-for-like mains water consumption (m ³)			Like-for-like intensity (m ³ /m ²)	
	2016/17	2017/18	2016/17	2017/18	Change	2016/17	2017/18
Office	3,115	2,606	3,115	2,606	-16.4%	0.23	0.19
Coverage	2/2	2/2	2/2	2/2		2/2	2/2
Retail, shopping centre	270	7,378	270	352	30.6%	0.06	0.08
Coverage	1/1	2/2	1/1	1/1		1/1	1/1
Total	3,385	9,984	3,385	2,958	-12.6%		
Coverage	3/3	4/4	3/3	3/3			

Consumption data relates to the managed portfolio only:

- Office: Whole building consumption
- Retail, shopping centre: Whole building consumption

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

Like-for-like excludes assets that were purchased, sold or under refurbishment during the two years reported.

Estimation: 1.3% of water data have been estimated.

Intensity: An intensity measure is reported for assets within the like-for-like portfolio.

Numerators/denominators are aligned as follows:

- Office and retail, shopping centres: whole building consumption (m³) divided by NLA (NLA m²)

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

Waste (Waste-Abs; Waste-LfL)

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

		Absolute tonnes				Like-for-like tonnes				
		2016/17		2017/18		2016/17		2017/18		% change
		Tonnes	%	Tonnes	%	Tonnes	%	Tonnes	%	
Office	Recycled	18	27%	10	16%	18	27%	10	16%	-48%
	Composting	-	-	2	3%	0	0%	2	3%	-
	Incineration with energy recovery	49	73%	49	81%	49	73%	49	81%	0%
	Landfill	-	-	-	-	-	-	-	-	-
	Total	67		61		67		61		-10%
	Coverage		2/2		2/2		2/2		2/2	
Retail, shopping centre	Recycled	-	-	-	-	-	-	-	-	-
	Composting	-	-	-	-	-	-	-	-	-
	Incineration with energy recovery	9	100%	8	100%	9	100%	8	100%	-9%
	Landfill	-	-	-	-	-	-	-	-	-
	Total	9		8		9		8		-9%
	Coverage		1/1		1/1		1/1		1/1	
Total	Recycled	18	24%	10	14%	18	24%	10	14%	-48%
	Composting	-	-	2	3%	-	-	2	3%	-
	Incineration with energy recovery	58	76%	57	83%	58	76%	57	83%	-1%
	Landfill	-	-	-	-	-	-	-	-	-
	Total	76		69		76		69		-10%
	Coverage		3/3		3/3		3/3		3/3	

Consumption data relates to the managed portfolio only:

- Offices: Whole building
- Retail, shopping centres: Whole building or common parts

Like-for-like excludes assets that were purchased, sold or under refurbishment during the two years reported.

Reported data relates to non-hazardous waste only, robust tonnage data on the small quantities of hazardous waste produced is not available.

German waste data protocol applies a standard waste tonnage based on the waste collection frequency. In some cases, this leads to a repetition of waste tonnage across both years.

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

Sustainability Certification: Energy Performance Certificates (Cert-Tot)

The table below sets out the proportion of the Company's total portfolio with an Energy Performance Certificate by floor area.

Energy performance certificate rating	Portfolio by floor area (%)
A	-
B	24%
C	22%
D	22%
E	12%
F	-
G	-
H	-
I	6%
Exempt	
Coverage	86%

Energy Performance Certificate records for the Fund are provided for the portfolio as at 31 July 2018.

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

German EPCs do not have a letter rating system used in certification. A conversion has been applied to numerical scoring to give an indicative score.

Energy Performance Certificate records for the Company are provided against portfolio floor area, including 50% of the net lettable area of Seville, Metromar (in line with ownership share).

Sustainability Performance Measures (Social)

EPRA's Sustainability Best Practices Recommendations Guidelines 2017 ('EPRA's Guidelines') include new Social and Governance reporting measures to be disclosed for the entity i.e. the Company. The Company is an externally managed real estate investment trust and has no direct employees. A number of these Social Performance measures relate to entity employees and therefore these measures are not relevant for reporting at the entity level. The Investment Manager to the Company, Schroder Real Estate Investment Management Limited, is part of Schroders PLC which has responsibility for the employees that support the Company. The Company aims to comply with EPRA's Guidelines and therefore has included Social and Governance Performance Measure disclosures in this report. These are, however, presented as appropriate for the activities and responsibilities of Schroder European Real Estate Investment Trust Limited (the 'Company'), Schroders PLC or the Investment Manager, Schroder Real Estate Investment Management Limited.

The Schroders plc Annual Report and Accounts for the 12 months to 31 December 2017 supports the performance measures in relation to the Investment Manager as set out below. Schroders PLC's principles in relation to people, including diversity, gender pay gap, values, employee satisfaction survey, wellbeing and retention can be found at:

- <https://www.schroders.com/en/sysglobalassets/global-assets/global/annual-report/documents/schroders-ar17.pdf>; and
- <http://www.schroders.com/en/people/diversity-and-inclusion/gender-equality-at-schroders/>

Employee Gender Diversity (Diversity-Emp)

As at 31 March 2018 the Company Board comprised three members: 0 (0% female) and 3 (100% male).

For Schroders PLC's Employee Gender Diversity policy please refer to its 2017 Annual Report and Accounts at page 28 <https://www.schroders.com/en/sysglobalassets/global-assets/global/annual-report/documents/schroders-ar17.pdf>.

Gender pay ratio (Diversity-Pay)

The remuneration of the Company Board is set out on pages 49 and 50.

For Schroders PLC please refer to its Gender Pay Diversity Report March 2018 at <http://www.schroders.com/en/people/diversity-and-inclusion/gender-equality-at-schroders/>

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

Training and development (Emp-Training)

Schroders requires employees to complete mandatory internal training. Schroders encourages all staff with professional qualifications to maintain the training requirements of their respective professional body.

Employee performance appraisals (Emp-Dev)

The Schroders' performance management process requires annual performance objective setting and annual performance reviews for all staff. The Investment Manager confirms that performance appraisals were completed for all investment staff relevant to the Company for the calendar year 2017.

Employee turnover and retention (Emp-Turnover)

For Schroders PLC turnover and retention please refer to its Annual Report and Accounts at page 29 <https://www.schroders.com/en/sysglobalassets/global-assets/global/annual-report/documents/schroders-ar17.pdf>

Employee health and safety (H&S-Emp)

Schroders PLC does not include employee health and safety performance measures in its Annual Report and Accounts.

The following are reported in relation to the assets held in the Company's portfolio over the reporting period to 31 March 2018:

Asset health and safety assessments (H&S-Asset)

Health and safety impacts were assessed or reviewed for compliance or improvement for 100% of managed assets held in the Company portfolio during the reporting period.

Asset health and safety compliance (H&S-Comp)

No issues of non-compliance with regulations and/or voluntary codes were identified during the reporting period.

Community engagement, impact assessments and development programmes (Comty-Eng)

Local community engagement, impact assessments and/or development programmes were completed for 10% (1 of 10) assets during the reporting period.

Sustainability Performance Measures (Governance)

Composition of the highest governance body (Gov-Board)

The Board of the Company comprised three non-executive independent directors (0 executive board members) for the 12 months to 31 March 2018.

- The average tenure of the three directors to 31 March 2018 is 2 years and 5 months
- The number of directors with competencies relating to environmental and social topics is 3/3 and their experience can be seen in the Board of Directors experience at pages 35 and 36

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

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

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

Process for managing conflicts of interest (Gov-Col)

The Company's policy on Directors' conflicts of interest sets out the policy and procedures of the Board for the management of conflicts of interest.

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

Glossary and shareholder information

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

AGM means the Annual General Meeting of the Company.

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

Companies Act means the Companies Act 2006.

Company is Schroder European Real Estate Investment Trust plc.

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

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

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

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

EPRA is European Public Real Estate Association.

EPRA Earnings represents the net income generated from the operational activities of the Group. It excludes all capital components not relevant to the underlying net income performance of the portfolio, such as the realised and unrealised fair value gains or losses on investment properties, and debt instruments, and unrealised gains or losses on currency translation.

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

FCA is the UK Financial Conduct Authority.

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

Group is the Company and its subsidiaries.

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

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

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

JSE is the Johannesburg Stock Exchange.

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

LSE is the London Stock Exchange.

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

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

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

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

Passing rent is the annual rental income currently receivable on a property as at the Balance Sheet date. This excludes rental income for rent free periods currently in operation and service charge income.

WAULT is weighted average unexpired lease term. This is the average time remaining to the next lease break date or lease expiry date.

Explanation of special business

This section is important and requires your immediate attention.

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

The AGM of the Company will be held on Tuesday, 5 March 2019 at 12.00 noon at 1 London Wall Place, London EC2Y 5AU. The formal Notice of Meeting is set out on pages 104 to 109. The following paragraphs explain the special business to be put to the AGM.

Resolution 6 – Directors’ authority to allot ordinary shares (ordinary resolution) and Resolution 7 – power to disapply pre-emption rights (special resolution)

The Investment Manager believes that there are ongoing opportunities to generate attractive risk-adjusted returns through investing in accordance with the Company’s investment policy.

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

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

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

If approved, both of these authorities will expire at the conclusion of the AGM in 2020 unless renewed, varied or revoked earlier.

Resolution 8 – Authority to make market purchases of the Company’s own shares (special resolution)

At the AGM held on 21 February 2018, the Company was granted authority to make market purchases of up to 20,046,829 ordinary shares of 10p each for cancellation or holding in treasury. No ordinary shares have been bought back under this authority and the Company therefore has remaining authority to purchase up to 20,046,829 ordinary shares. This authority will expire at the forthcoming AGM.

The Directors believe it is in the best interests of the Company and its shareholders to have a general authority for the Company to buy back its ordinary shares in the market as they keep under review the share price discount to net asset value and the purchase of ordinary shares. A special resolution will be proposed at the forthcoming AGM to give the Company authority to make market purchases of up to 14.99% of the ordinary shares in issue as at the date of the Notice of the AGM. The Directors will exercise this authority only if the Directors consider that any purchase would be for the benefit of the Company and its shareholders, taking into account relevant factors and circumstances at the time. Any ordinary shares so purchased would be held in treasury. If renewed, the authority to be given at the 2019 AGM will lapse at the conclusion of the AGM in 2020 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

30 November 2018

Notice of annual general meeting

Notice is hereby given that the Annual General Meeting of Schroder European Real Estate Investment Trust plc will be held on Tuesday, 5 March 2019 at 12.00 noon at 1 London Wall Place, London EC2Y 5AU to consider the following resolutions of which resolutions 1 to 6 will be proposed as ordinary resolutions and resolutions 7 and 8 will be proposed as special resolutions:

1. To receive the Report of the Directors and the audited accounts for the year ended 30 September 2018.

2. To approve the annual report on remuneration for the year ended 30 September 2018.

3. To re-elect Mr Jonathan Thompson as a Director of the Company.

4. To re-appoint PricewaterhouseCoopers LLP as Auditors to the Company.

5. To authorise the Directors to determine the remuneration of PricewaterhouseCoopers LLP as Auditors to the Company.

6. To consider and, if thought fit, pass the following resolution as an ordinary resolution:

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

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

‘That, subject to and conditional on the passing of Resolution 6 set out above, the Directors be and are hereby empowered, pursuant to Sections 570 and 573 of the Act, to allot or sell equity securities (including any ordinary shares held in treasury) (as defined in section 560(1) of the Act) pursuant to the authority given in accordance with section 551 of the Act by Resolution 6 and/or where such allotment constitutes an allotment of equity securities by virtue of section 560(2) of the Act as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £1,337,346 (representing 10% of the aggregate nominal amount of the share capital in issue at the date of this Notice); and provided that this power shall expire at the conclusion of the next Annual General Meeting of the Company but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require equity securities to be allotted after such expiry.’

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

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

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

- c. The minimum price (exclusive of expenses) which may be paid for a Share shall be 10p, being the nominal value per Share;
- d. This authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company in 2020 (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
30 November 2018

Registered Office:
1 London Wall Place
London EC2Y 5AU

Explanatory notes to the notice of meeting

Information for shareholders on the UK register

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

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

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

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

A proxy form must be signed and dated by the shareholder or his or her attorney duly authorised in writing. In the case of joint holdings, any one holder may sign this form. The vote of the senior joint holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder and for this purpose seniority will be determined by the order in which the names appear on the Register of Members in respect of the joint holding. To be valid, proxy form(s) must be completed and returned to the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, in the enclosed envelope together with any power of attorney or other authority under which it is signed or a copy of such authority certified notarially, to arrive no later than two business days 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 using their user ID and password. Once logged in click 'View' on the 'My Investments' page and click on the link to vote. The on-screen instructions give details on how to complete the appointment process. Please note that to be valid, your proxy instructions must be received by Equiniti no later than 12.00 noon on 1 March 2019. If you have any difficulties with online voting, you should contact the shareholder helpline on 0800 032 0641 (or +44(0) 121 415 0207 for overseas callers). If an ordinary shareholder submits more than one valid proxy appointment, the appointment received last before the latest time for receipt of proxies will take precedence.

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

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

2. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him or her and the shareholder by whom he or she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he or she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

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

3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those shareholders registered in the Register of members of the Company at 6.30 p.m. on 1 March 2019, 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 1 March 2019 shall be disregarded in determining the right of any person to attend and vote at the meeting.
4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST manual. The CREST manual can be viewed at www.euroclear.com. A CREST message appointing a proxy (a 'CREST proxy instruction') regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction previously given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time for receipt of proxy appointments.
5. Copies of the terms of appointment of the non-executive Directors and a statement of all transactions of each Director and of his family interests in the shares of the Company, will be available for inspection by any member of the Company at the registered office of the Company during normal business hours on any weekday (English public holidays excepted) and at the Annual General Meeting by any attendee, for at least 15 minutes prior to, and during, the Annual General Meeting. None of the Directors has a contract of service with the Company.
6. The biography of the Director offering himself for re-election is set out in the Company's Annual Report and Accounts for the year ended 30 September 2018.
7. As at 30 November 2018, 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 30 November 2018 was 133,734,686.
8. A copy of this Notice of meeting, which includes details of shareholder voting rights, together with any other information as required under Section 311A of the Companies Act 2006, is available from the Company's webpage, www.schroders.co.uk/sereit.
9. Pursuant to Section 319A of the Companies Act 2006, the Company must cause to be answered at the Annual General Meeting any question relating to the business being dealt with at the AGM which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered or if to do so would involve the disclosure of confidential information.

Information for shareholders on the South Africa register

Certificated shareholder and own-name registered dematerialised shareholders

1. Each shareholder is entitled to appoint one or more proxies (none of whom need be a shareholder of the Company) to attend, speak, vote or abstain from voting in place of that shareholder at the Annual General Meeting of shareholders.
2. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting 'the Chairman of the Meeting,' but any such deletion must be initialled by the shareholder. The person whose name stands first on the form of proxy

and who is present at the Annual General Meeting of shareholders will be entitled to act as proxy to the exclusion of those whose names follow.

3. Forms of proxy must be lodged with or posted to the transfer secretaries, Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107) or faxed to +27 11 688-5238 to be received by no later than 2.00 p.m. (Johannesburg time) on Friday, 1 March 2019.
4. The completion and lodging of a form of proxy will not preclude the shareholder from attending the Annual General Meeting and speaking and voting in person to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
5. If the signatory does not indicate in the appropriate place on the face of the proxy how he/she wishes to vote in respect of any resolutions, his/her proxy shall be entitled to vote as he/she deems fit in respect of that resolution. The Chairman intends to vote all available undirected proxies in favour of all Resolutions.
6. The Chairman of the Meeting shall be entitled to decline to accept the authority of a person signing this form of proxy:
 - Under a power of attorney; or
 - On behalf of a company;unless the power of attorney or authority is deposited at the office of the Company's transfer secretaries, not less than 48 hours before the time appointed for the holding of the Annual General Meeting.
7. The Chairman of the Meeting may reject or accept any form of proxy, which is completed and/or received other than in accordance with these notes, provided that the Chairman is satisfied as to the manner in which the shareholder concerned wishes to vote.
8. Subject to note (2) above, a deletion of any printed matter and the completion of any blank spaces on the form of proxy need not be signed or initialled. Any alterations must be signed, not initialled.
9. If the shareholding is not indicated on the form of proxy, the proxy will be deemed to be authorised to vote the total shareholding registered in the shareholder's name.
10. A vote given in terms of an instrument of proxy shall be valid in relation to the Annual General Meeting, notwithstanding the death of the person granting it, or the revocation of the proxy, or the transfer of the shares in the Company in respect of which the vote is given, unless an intimation in writing of such death, revocation or transfer is received by the transfer secretaries no less than 48 hours before the commencement of the Annual General Meeting.
11. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (e.g. for a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to this form of proxy unless previously recorded by the Company or its transfer secretaries or waived by the Chairman of the Meeting.
12. Where a form of proxy is signed under power of attorney, such power of attorney must accompany this form of proxy, unless it has previously been registered with the Company or the transfer secretaries.
13. Where there are joint holders of shares and if more than one such joint holder is present or represented thereat, then the person whose name appears first in the register of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof.
14. Where shares are held jointly, all joint holders are required to sign.
15. A minor must be assisted by his/her parent or guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries of the Company.

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

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

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

Shareholder information

Webpages and share price information

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

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

Association of Investment Companies

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

ISA status

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

Non-Mainstream Pooled Investments status

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

Alternative Investment Fund Managers Directive ('AIFMD') Disclosures

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

Remuneration disclosures

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

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

Pursuant to the Packaged Retail and Insurance Based Products ('PRIIPs') Regulation, the Investment Manager, as the Company's AIFM, is required to publish a short KID on the Company. KIDs are designed to provide certain prescribed information to retail investors, including details of potential returns under different performance scenarios and a risk/reward indicator. The Company's KID is available on its webpages.

Corporate information

Directors

Sir Julian Berney Bt.
Jonathan Thompson
Mark Patterson

Investment Manager

Schroder Real Estate Investment Management Limited

1 London Wall Place
London EC2Y 5AU

Registered Office

1 London Wall Place
London EC2Y 5AU

Company Secretary

Schroder Investment Management Limited

1 London Wall Place
London EC2Y 5AU

Solicitors to the Company

Stephenson Harwood LLP

1 Finsbury Circus
London EC2M 7SH

Auditors

PricewaterhouseCoopers LLP

7 More London
Riverside
London SE1 2RT

Property Valuers

Knight Frank LLP

55 Baker Street
London
W1U 8AN

Tax Advisers

KPMG

15 Canada Square
London E14 5GL

Dealing codes

ISIN: GB00BY7R8K77
SEDOL: BY7R8K7
Ticker (LSE): SERE
Ticker (JSE): SCD

Global Intermediary Identification Number (GIIN):

SU6VCJ.99999.SL.826

Legal Entity Identifier (LEI):

549300BHT1Z8NI4RLD52

Joint Sponsor and Brokers

South Africa:

PSG Corporate Services (Pty) Limited
1st Floor, OU Kollege
35 Kerk Street
Stellenbosch 7600

London:

Numis Securities Limited
10 Paternoster Square
London EC4M 7LT

Transfer Secretary

Computershare Investor Services (Pty) Limited

PO Box 61051
Marshall Town
2107
South Africa

Registrar

Equiniti Limited

Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Shareholder Helpline:
0800 032 0641*

Website: www.shareview.co.uk

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

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