

SCHRODER EUROPEAN REAL ESTATE INVESTMENT TRUST PLC

Annual Report and
Consolidated Financial Statements

For the year ended 30 September 2023



GRESB
★★★★☆ 2023

Schroders
capital



Unique and compelling opportunity to invest in a diversified portfolio of commercial Continental European real estate.

Future returns supported by an allocation to higher growth sectors, an experienced local management team, and a peer group leading debt profile.

Net asset value ('NAV')

We seek to deliver strong long-term NAV growth.

NAV

€171.4m

NAV per ordinary share

128.2c

[Read more](#) | Page 10

Assets

We actively manage assets to achieve optimal value, continuing to drive income and increase exposure to higher growth cities and sectors.

Portfolio value

€243.0m¹

Number of tenants

47

[Read more](#) | Page 13

Strength of the balance sheet

Prudent retention of cash and low LTV, providing flexibility to commit capital to improve the existing portfolio, resolve 2024 debt expiries and take advantage of attractive buying opportunities.

Available cash

€28.9m²

Loan to value ('LTV')

24%
net of cash

[Read more](#) | Page 18

Why invest

1

Sustainable quarterly dividend fully covered by EPRA earnings

2

Attractive dividend yield of 7.6% on current share price and 4.6% on current NAV³

3

Strong balance sheet with modest levels of gearing (24% LTV) and significant investable firepower with available cash of €28.9m

4

Income considered to be a strong inflation hedge with all leases subject to indexation and c.80% annually indexed

5

c.90% of the portfolio by value located in higher-growth regions

6

A track record of successfully executing on asset management initiatives to generate strong shareholder returns

7

Local investment and asset management teams with specialist sector and country knowledge

8

Hospitality led approach to asset management and tenant relationships enhancing returns

9

Opportunity to improve portfolio sustainability credentials and leverage off Schroders' market leading expertise

10

Fully allocated to stable western European markets

Past performance is not a guide to future performance and may not be repeated. The value of the investments and the income from them may go down as well as up and investors may not get back the amount originally invested.

1 Reflects the value of directly held property assets of €214.1m and available cash of €28.9m.

2 Available cash of €28.9m is internally calculated by deducting net assets and liabilities as well as yet to be paid dividends from the cash balance.

3 Reflects the annualised latest announced quarterly dividend of 1.48cps/1.28pps based on a share price of 67.4pps as at 29 November 2023 and based on an audited Net Asset Value ('NAV') of 128.2cps as at 30 September 2023.

Dividends

We seek to deliver a growing, fully covered dividend.

Dividends declared during the financial year

€8.9m

(FY22: €16.4m incl. €6.5m special dividend declared)

Dividends declared per share

6.66cps

(FY22: 12.25cps incl. 4.85cps special dividend declared)

[Read more](#) | Page 42

Sustainability

Sustainability is embedded in our investment process, focusing on our three core pillars of People, Planet and Place.

GRESB 4-star rating



G R E S B
★★★★☆ 2023

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Number of assets with specialist sustainability and net zero carbon audits in progress

12

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Performance Summary

Attractive portfolio income return, modest leverage, competitively re-gearred debt facilities and significant cash firepower are positioning the Company well for future growth

- Rental indexation, underpinned by low cost fixed-rate debt, boosted EPRA earnings which increased 31% compared to the previous financial year
- Successfully re-gearred two debt facilities at competitive terms, improving the average debt maturity profile by around 20 months to 2.6 years; average interest cost continues to be low at 2.9%, with 100% either fixed or hedged
- Attractive level of sustainable income with a fully covered quarterly dividend of 7.6% on current share price¹ and 4.6% p.a. on current NAV
- Maintaining a strong balance sheet with around €29 million available cash and with a prudent LTV of 33% gross of cash and 24% net of cash

1 Reflects the annualised latest announced quarterly dividend of 1.48cps/1.28pps based on a share price of 67.4pps as at 29 November 2023 and based on an audited Net Asset Value ("NAV") of 128.2cps as at 30 September 2023.

Alkmaar, The Netherlands



Strong rental indexation, exceptional rent collection and high tenant retention

- Relatively high yielding underlying property portfolio valued at an average net initial yield of 6.6%. Almost all leases are subject to indexation
- Total return of the underlying portfolio was -2.1% and the income return was 6.3% for the 12 months
- Maintained a high occupancy level of 97% with an average portfolio lease term to break of 3.9 years and continued 100% rent collection
- Contracted rent on a like for like basis (excluding Alkmaar acquisition) increased 5.3% to €16.1 million (30 September 2022: €15.3 million)
- Concluded 15 new leases and re-gears generating €1.5 million of contracted rent, at a weighted lease term of 3.6 years
- Acquisition of an award winning industrial investment in Alkmaar, the Netherlands in March 2023 with excellent sustainability credentials and an exceptional income profile given the 20 year term, covenant strength and 5.6% net initial yield

Strong progress improving sustainability performance as future strategy evolves

- Maintained Global Real Estate Sustainability Benchmark ('GRESB') 4-star status
- Five assets across the portfolio with BREEAM-in-Use certifications
- Sustainability and net zero carbon audits under way for 12 assets across the portfolio
- 37% of the portfolio A-C rated as at March 2023 (March 2022: 35%)



The attractive portfolio income and pipeline of asset management activity should contribute to continued earnings and dividend growth, further improve the defensive qualities of the portfolio, and enhance returns as the market recovers”

Sir Julian Berney Bt.
Chairman

Property performance

| | 30 September 2023 | 30 September 2022 |
|---|-------------------|-------------------|
| Value of property assets ¹ | €214.1m | €218.7m |
| Annualised rental income ¹ | €16.8m | €15.3m |
| Estimated market rental value ¹ | €16.0m | €14.7m |
| Underlying portfolio total return in the reporting period ² | (2.1%) | 6.9% |
| Underlying portfolio income return in the reporting period ² | 6.3% | 4.1% |

Financial summary

| | 30 September 2023 | 30 September 2022 |
|-------------------------------|-------------------|-------------------|
| NAV | €171.4m | €188.2m |
| NAV per ordinary share (euro) | 128.2c | 140.8c |
| NAV total return (euro) | (5.0%) | 7.3% |
| IFRS (loss)/profit after tax | (€9.4m) | €13.9m |
| EPRA earnings ² | €8.0m | €6.1m |
| Dividend cover ³ | 89% | 61% |

Capital values⁴

| | 30 September 2023 | 30 September 2022 |
|---------------|---------------------|---------------------|
| Share price | 69.0 pps/ZAR 16.05 | 88.0 pps/ZAR 17.85 |
| NAV per share | 111.0 pps/ZAR 25.57 | 123.5 pps/ZAR 24.92 |

Earnings and dividends⁵

| | 30 September 2023 | 30 September 2022 |
|--|-------------------|-------------------|
| IFRS earnings per share | (7.0cps) | 10.4cps |
| EPRA earnings per share ² | 6.0cps | 4.5cps |
| Headline earnings per share ² | 6.0cps | 4.5cps |
| Ordinary dividends declared per share | 6.7cps | 7.4cps |
| Special dividends declared per share | – | 4.85cps |

Bank borrowings

| | 30 September 2023 | 30 September 2022 |
|--|-------------------|-------------------|
| External bank debt (excluding costs) | €85.5m | €80.7m |
| Loan to value ratio based on GAV net of cash/gross of cash | 24%/33% | 20%/29% |

Ongoing charges⁶

| | 30 September 2023 | 30 September 2022 |
|--|-------------------|-------------------|
| Ongoing charges (including fund and property expenses) | 2.46% | 2.23% |
| Ongoing charges (including fund only expenses) | 3.60% | 3.12% |

1 Excludes the Seville property for which the NAV exposure is nil.

2 These are Alternative Performance Measures ('APMs'). EPRA and Headline earnings are reconciled to IFRS earnings on pages 94 and 95.

3 Dividend cover for the period totalled 89% and 106% for the last six months to 30 September 2023 as a result of the decision to re-base the dividend to a covered approach.

4 Pps refers to pence per share.

5 Cps refers to euro cents per share.

6 Ongoing charges are Alternative Performance Measures ('APMs') calculated in accordance with the AIC recommended methodology as a percentage of the average NAV over a given period. For a definition of this Alternative Performance Measure refer to page 96.

Strategic Report

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Chairman's Statement



Sir Julian Berney Bt.
Chairman

Overview

We are today announcing our audited results for the financial year to 30 September 2023, a challenging period given the backdrop of economic and geopolitical uncertainty, investors' re-pricing of risk as well as the availability and cost of debt.

These factors have resulted in a correction in real estate values, with yields deteriorating between 50 and 200 basis points ('bps'), albeit offset by indexation-led income growth.

The increase in government bond yields and appeal of other investments has seen a shift in investor demand away from real estate, substantially impacting investment volumes and resulting in the above-mentioned yield deterioration.

As a result, our diversified portfolio of 15 investments witnessed a like-for-like valuation decline of 8.5% (net of capex) to €214.1 million, a resilient performance when benchmarked against the wider UK listed real estate peer group. This downward pressure has been mitigated by three factors:

1. the portfolio's indexation characteristics underpinning income growth;
2. our focus on Winning Cities such as Berlin, Hamburg, Stuttgart, Frankfurt and Paris, where both occupier and investor liquidity remains strong; and
3. our exposure to higher growth sectors such as industrial.

In addition, the Company has substantial available cash of c.€29 million, providing the flexibility to manage current headwinds. The valuation movement resulted in a net asset value ('NAV') at the end of the financial year of €171.4 million or 128.2 euro cents per share (111.0 pence per share). Underlying EPRA earnings were €8.0 million for the period, reflecting an increase of 31% against the previous year (FY22: €6.1 million). There remains approximately €1.1 million of pre-tax profit from the Paris, Boulogne-Billancourt ('Paris BB') disposal to be released in the NAV.

Our conservative approach has enabled us to maintain a robust balance sheet with a modest loan to value ('LTV') of 24% net of cash. This provides us with the flexibility to commit capital to improve the existing portfolio, resolve the 2024 debt expiries and take advantage of attractive buying opportunities. The Investment Manager has successfully re-financed two loans (German offices and Dutch logistics) at margins equal to or below existing margins and is in positive discussions with lenders on re-gearing 2024 expiries.

The Company continues to explore several sustainability-led capital expenditure initiatives and has instructed two specialist ESG consultants to undertake sustainability audits and net zero pathway modelling across the majority of the portfolio. The aspirations are not only to improve the quality of the portfolio, but also to assist in tenant retention and value enhancement thereby ensuring the assets remain relevant to the occupiers, lenders and investors who increasingly favour sustainable investments. The Investment Manager's local operational expertise and sustainability understanding is increasingly key to tenant retention, maximising occupancy, debt management and driving returns. The result of these audits is expected in the early part of 2024, following which the Company will provide an update on next steps.

We collected 100% of rent due during the period, and portfolio occupancy remains strong at 97%, with c.50 tenants across multiple sectors ensuring income is diversified and resilient. In the current environment, the portfolio income offers an attractive inflation hedge with all leases subject to

Performance Summary for financial year 2023

Value of directly held property assets and available cash

€243.0m

Net Asset Value ('NAV')

€171.4m

Share price as at 29 November 2023

67.4pps

EPRA earnings

6.0cps

Loan to value (net of cash)

24%

indexation and c.80% annually indexed, an important benefit of European real estate exposure in contrast with the UK.

Overall, we continue to see ERV maintaining pace with inflation as a result of the allocation to growth sectors and sub-markets that are benefitting from supply constraints and competing demands for uses.

Following the decision in June to rebase the dividend, reflecting the potential impact of higher interest costs on the Company's earnings and more patient capital deployment strategy, the quarterly dividend has been maintained at 1.48 euro cents per share, resulting in the total dividend declared for the year of 6.66 euro cents per share. Dividend cover for the year stood at 89%, increasing to 106% for the last six months. Annualising the quarterly dividend against the current share price of 67.4pps at 29 November 2023 provides an attractive dividend yield of 7.6%. The Board continues to see this as highly appealing in the current environment particularly given the strength of the portfolio, growth city exposure, cash position and favourable balance sheet.

Strategy

Our strategy remains focused on delivering shareholders with an attractive level of income together with the potential for income and capital growth through investing in commercial real estate in Continental Europe. In the Interim Report, I highlighted our decision to maintain a prudent approach, focused on maintaining balance sheet strength and improving the quality and liquidity of the existing portfolio through active management and capital investment. There is a growing consensus that there is a meaningful rental and value premium for buildings with green certifications, which we are seeing across our own portfolio, and we believe there is an opportunity to differentiate our strategy further by placing even greater emphasis on

how sustainability-led asset improvements will deliver enhanced returns for shareholders.

This reflects our strong conviction that transforming less sustainable buildings into modern, fit for purpose assets, will help to deliver enhanced returns and support the wider real estate industry in reaching its net zero carbon targets. This sustainable approach will also be beneficial to our tenants, local communities and portfolio performance.

The portfolio remains diversified, managed by local sector specialist teams who are recognised for their operational excellence and hospitality mindset. Approximately 33% of the portfolio by value is offices, all of which are in supply-constrained locations and leased off affordable rents. Our retail exposure of 16% comprises DIY and grocery investments in densely populated urban areas and sectors that are performing strongly. During the period, the industrial allocation increased to 29% following the acquisition of an €11 million industrial investment in Alkmaar, the Netherlands. The investment improves the diversification and quality of the portfolio from a construction, sustainability and income perspective, particularly given it is a 20-year sale and leaseback on a strong covenant. 10% of the portfolio is allocated to the alternatives sector, comprising a mixed-use data centre and a car showroom, with the remaining 12% in cash. The portfolio maintained strong occupancy over the period with all assets fully leased except for the Saint-Cloud office investment which averaged approximately 85% occupancy over the year.

Balance sheet and debt

Risks around debt management have escalated over the year, driven by the shift in bank lending as lenders become more discerning on the quality of assets, sector and the counterparty. At year end, third party debt totalled €85.5 million (including



A resilient balance sheet, significant cash reserves and a covered dividend, coupled with offering unique exposure to a diversified Continental European portfolio, underpins our conviction that the Company continues to be a compelling investment proposition”

the share of the joint venture), representing a LTV net of cash of 24% against the overall gross asset value of the Company. This low gearing is an attractive point of difference relative to other listed vehicles. The Company has six loans secured against individual assets or groups of assets, with no cross-collateralisation between loans. The average weighted total interest rate of the loans is 2.9% per annum and 100% is fixed or hedged against movements in interest rates. The weighted average duration of the loans is 2.6 years, with the earliest loan maturity in March 2024.

Over the period, two refinancings were completed on highly competitive terms which is testament to the Investment Manager's banking relationships, management expertise and portfolio strategy. In Germany, the refinancing of the Company's offices in Hamburg and Stuttgart was concluded at a margin of 85bps and subject to no covenants. In the Netherlands, we switched lenders, resulting in a slight reduction in the margin from 215bps to 200bps. In both instances, we increased the loan principal by c.€4 million each. This allowed for the subsequent repayment of the Rumilly, France logistics loan and further capacity to manage 2024 expiries.

Chairman's Statement continued

Further detail on the individual loans is provided in the Investment Manager's Report.

Dividends

The Board has elected to continue with the 1.48 euro cps quarterly dividend, bringing the total dividend announced in relation to the financial year to 6.66 euro cents per share. Dividend cover for the period was 89%, increasing to 106% for the last six months. This follows the decision in June to re-base the dividend to a quarterly minimum dividend of 80% of the then current level. This decision was not taken lightly, but as we stated at the time, our priority is to protect shareholder value over the long term. It provides significant flexibility, enabling us to pay a covered dividend that can be grown over time.

Sustainability

The Board and the Investment Manager believe that focusing on sustainability throughout the real estate lifecycle will deliver enhanced long-term returns for shareholders as well as a positive impact to the environment and the communities where the Company is investing. Our research and the evidence across the portfolio demonstrates that there is a material rental and value premium for buildings with green certifications. There is increasing pressure on minimum building standards not only from an EPC perspective but data coverage (for water, gas, electricity and waste) and ultimately carbon footprint. Demand from occupiers for space is increasingly biased towards better quality buildings, driven not only by legal obligations and tenant environmental aspirations but as a means to match corporate ethos and attract talent.

Sustainability-led initiatives, which may include on-site renewable energy, improved insulation and lighting will be increasingly important to the strategy and the Investment Manager is carrying

out a comprehensive review of the sustainability characteristics of the portfolio encompassing building fabric, energy systems, services and utilities, climate risk and resilience, water consumption, waste management, biodiversity and green infrastructure, transport and mobility, health and wellbeing, community and social integration. This analysis will inform a baseline score across a range of quantitative and qualitative factors against which we will measure future improvements at an asset level to enable us to provide transparent reporting to stakeholders.

Board Succession

We recently announced the appointment of Mark Beddy to the Board from 1 January 2024. Mark is a former senior audit partner of a leading global accounting firm with proven European real estate experience. The plan is for Mark to succeed Jonathan Thompson at the conclusion of the AGM in March 2024, replacing him as the Chairman of the Audit, Valuation and Risk committee. His expertise is well suited to this role, and we welcome his addition. I would like to take this opportunity to thank Jonathan for his work and direction since the IPO in 2015. We continue to look at other candidates to improve and diversify the Board's strategic and governance expertise.

Outlook

European economies continue to face headwinds and growth is expected to be subdued for the short term, particularly given the expectation for the ECB to maintain its restrictive monetary policy stance and adverse credit conditions. Although we are seeing inflationary pressures dampen, and despite strong labour markets, the higher interest rate environment is impacting investor sentiment, disposable incomes and household demand. In terms of real estate values, we are starting to see

transaction evidence that supports valuations and provides confidence in the Company's NAV.

We retain our conviction in the strategy and diversified real estate approach, targeting liquid growth cities with a bias towards France and Germany. The portfolio's strong occupancy, income indexation and recent re-financing success support the current dividend, which is now well covered, and should underpin earnings growth for this financial year and beyond. We will continue to manage the portfolio conservatively, maintaining a prudent balance sheet whilst progressing selective capital investment in the existing portfolio or adding attractively priced investment opportunities.

Finally, as sustainability considerations become even more important for investors, lenders and occupiers, we are making good progress evolving our strategy, which we believe should differentiate the Company further and help to drive more sustainable, long-term returns. We anticipate providing details on this strategy during the first half of 2024.

Sir Julian Berney Bt.
Chairman

5 December 2023

HALL 2

Investment Manager's Report



Jeff O'Dwyer
Fund Manager



We continue to have conviction that investment with green certification will outperform and that poorer quality assets will become increasingly obsolete and illiquid.”

The direct portfolio, net of capital expenditure, decreased in value by €18.5 million mainly as a result of a yield re-rating of the underlying real estate.

Acquisition costs totalling €1.2 million were incurred relating to the acquisition of a Dutch industrial asset in Alkmaar.

Having crystallised much of the profit from the Paris BB sale last year, an additional €1.5 million of profit was released into the NAV this financial year due to final development costs remaining significantly below budget. There remains approximately €1.1 million of pre-tax profit from the Paris BB disposal to be released in the NAV.

Non-cash items of €0.9 million mainly result from reduced deferred taxes due to lower real estate portfolio values.

EPRA earnings for the period totalled €8.0 million, or 6.0cps, an increase of €1.9 million or 31%, on the prior financial year of €6.1 million. This increase was driven by rental growth in the existing portfolio, a positive contribution from the Alkmaar asset acquired in early 2023 and was underpinned by low cost fixed-rate debt.

Financial Results

The net asset value ('NAV') as at 30 September 2023 stood at €171.4 million (£148.7 million), or 128.2 euro cents (111 pence per share), compared with €188.2 million, or 140.8cps, as at 30 September 2022.

During the period, dividends totalling €7.4 million were paid, which resulted in a NAV total return of -5.0%.

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

| | €m ¹ | cps ² |
|--|-----------------|------------------|
| NAV as at 1 October 2022 | 188.2 | 140.8 |
| Unrealised loss in the valuation of the real estate portfolio ³ | (15.7) | (11.7) |
| Capital expenditure ³ | (2.8) | (2.1) |
| Transaction costs ³ | (1.2) | (0.9) |
| Paris, Boulogne-Billancourt post-tax development profit | 1.5 | 1.1 |
| Movement on the Seville JV investment | 0.0 | 0.0 |
| EPRA earnings ⁴ | 8.0 | 6.0 |
| Non-cash/capital items | 0.8 | 0.6 |
| Dividends paid ⁵ | (7.4) | (5.6) |
| NAV as at 30 September 2023 | 171.4 | 128.2 |

1 Management reviews the performance of the Company principally on a proportionally consolidated basis. As a result, figures quoted in this table include the Company's share of the Seville joint venture on a line-by-line basis.

2 Based on 133,734,686 shares.

3 The unrealised loss in the valuation of the real estate of the portfolio (€15.7m), net of capital expenditure (€2.8m), net of transaction costs (€1.2m) reconciles to the 'net (gain)/loss from fair value adjustment on investment property' (€19.7m) on page 79 of the financial statements.

4 EPRA earnings as reconciled on page 94 of the financial statements.

5 Dividends of 5.55cps were paid during the financial year. Announced dividends relating to the current financial year, however, were 6.66cps with dividend payments for June 2023 and September 2023 quarters are yet to be paid in November 2023 and January 2024 (i.e. 2.96cps are yet to be paid). For more information, please refer to page 42.

Investment objective

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

Investment strategy

The strategy to deliver this, and progress made during the year and since year end, is set out below:

- | | |
|--|--|
| 1 Maximising shareholder value through active asset management | 2 Improving the defensive qualities of the portfolio in light of changing social, economic and geopolitical risks |
| 3 Applying a research-led approach to determine attractive sectors and locations in which to invest in commercial real estate | 4 Increasing exposure to higher growth Winning Cities and Regions |
| 5 Actively managing the Company and its assets, drawing on the expertise of our sector specialists to maximise shareholder returns and evolve the Company's asset management approach that is focused on operational excellence | 6 Advancement of sustainability and net zero carbon audits across the majority of the portfolio with a view to improving asset green certification, rental growth potential and liquidity |
| 7 Applying our integrated sustainability and Environmental, Social and Governance ('ESG') approach at all stages of the investment process and asset lifecycle | 8 Managing the Company prudently and efficiently by controlling costs and maintaining a strong balance sheet |

Investment Manager’s Report continued

Portfolio performance

During the 12 months’ period, total property returns for the underlying property portfolio were negative at -2.1%, despite healthy property income returns of +6.3%. This was due to negative property capital returns of -8.0% net of capex as real estate values decreased over the period, primarily driven by a 100 basis points outward yield movement, which more than offset the positive impact of rental growth. The portfolio net initial yield increased to 6.6%.

The strongest contributors to portfolio performance over the last 12 months were Venray II (17.5% total return ‘TR’ due to strong capital appreciation); Apeldoorn (9.8% TR as a result of very strong income); and Alkmaar (5.9% TR due to income return coupled with a positive capital return).

The main detractors from portfolio performance were office assets Hamburg (-6.0% TR) and Stuttgart (-7.1% TR) and the industrial assets Rennes (-7.1% TR) and Houten (-9.2%) as these assets witnessed the largest value declines.

The real estate portfolio delivered ungeared property returns of 3.7% p.a. over three years and 6.8% p.a. over five years.

Real estate portfolio

As at 30 September 2023, the portfolio comprised 15 institutional grade properties valued at €214.1 million. In addition, the Company has a 50% interest in a joint venture in Seville, Spain which continues to be recognised at nil interest and which is therefore excluded in all relevant statistics in the Chairman’s Statement and the Investment Manager’s Report.

The portfolio generated rental income of €16.8¹ million per annum, reflecting a net initial yield of 6.6%. The independent valuers’ estimated rental value (‘ERV’) of the portfolio is €16.0 million per annum.

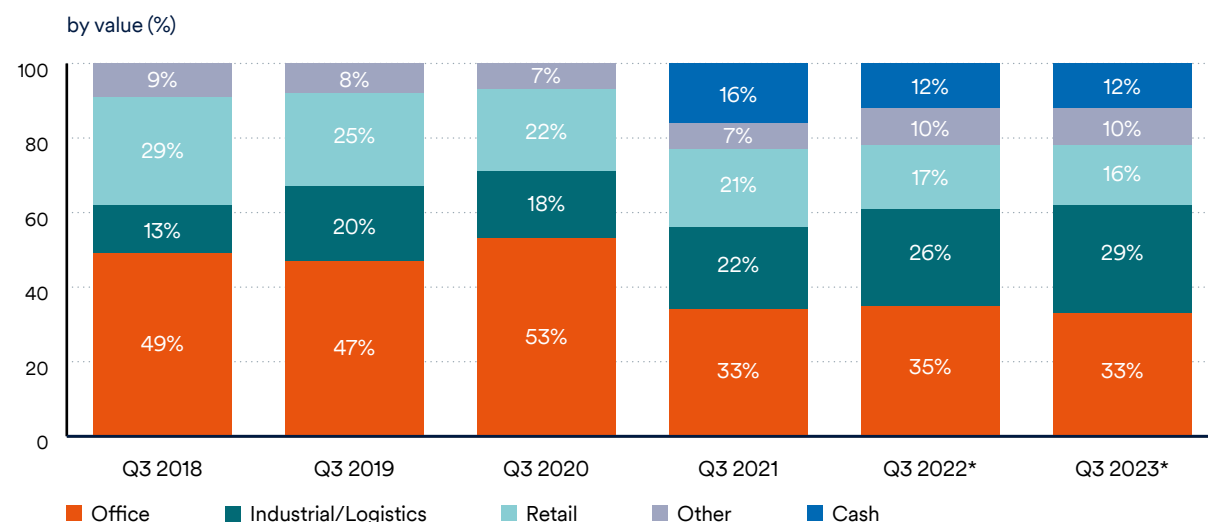
The real estate portfolio is diverse with income from a range of occupiers across different sectors and industries. The diversified nature and the strength of underlying tenants, coupled with the fact the assets are typically leased off affordable and sustainable rents, should support relatively resilient portfolio income in a weaker economic environment and a more challenging period for consumers and businesses.

The Dutch industrial acquisition has increased the portfolio’s industrial exposure to 29%. Other key allocations include 33% to offices in leading cities such as Paris, Stuttgart and Hamburg and 16% to a Berlin DIY asset and a convenience retail centre in Frankfurt. Remaining allocations of 10% are to the alternatives sector comprising a mixed-use data centre and car showroom and 12% in cash. At the period end the portfolio void rate was 3%, calculated as a percentage of estimated rental value. The portfolio weighted average lease length, calculated to the earlier of lease expiry or break, is 3.9 years.

European leases typically provide for rents to be indexed to inflation. The majority (80%) of the Company’s income is subject to annual indexation with the remaining 20% linked to a hurdle (typically 10%), hence we expect nearly all the leases to directly benefit from inflation.

¹ Represents the annualised contracted rents as at 30 September 2023 of the direct portfolio.

Evolution by sector



* Portfolio allocations exclude the Seville property for which the NAV exposure is nil.

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

Number of properties¹

15

Portfolio value^{1,2}

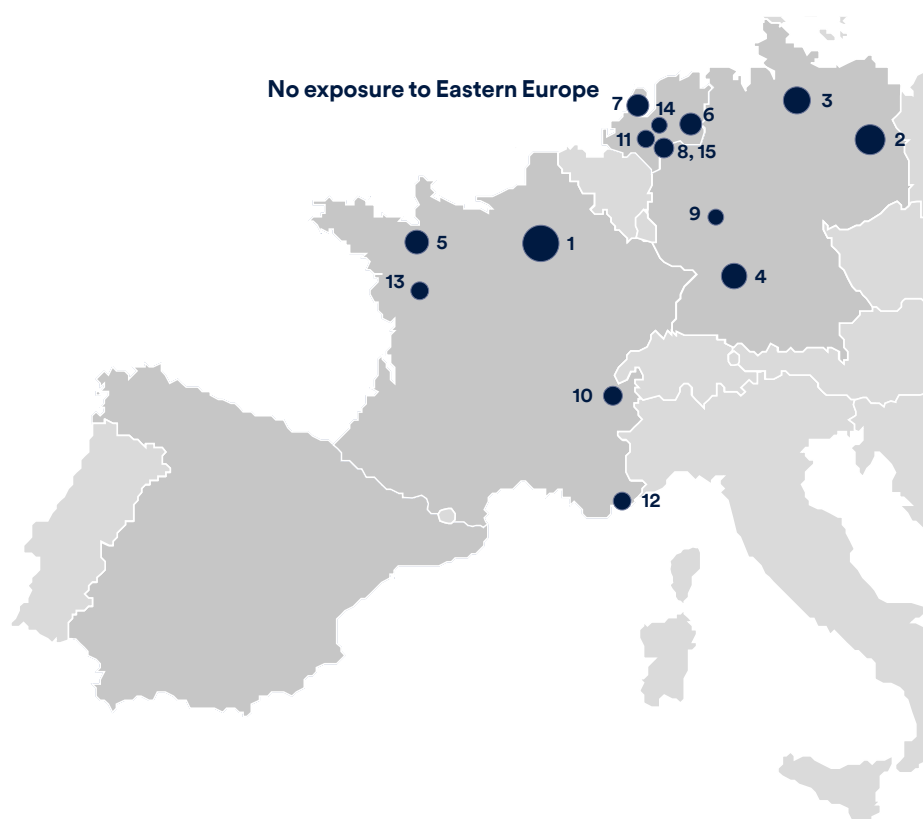
€243.0m

Number of tenants¹

47

Occupancy¹

97%



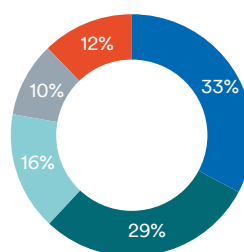
Top ten properties

| Property | Sector | Value (€m/% portfolio) ^{1,2} |
|-------------------------------|----------------|---------------------------------------|
| 1 France, Paris (Saint-Cloud) | Office | €38.1m/16% |
| 2 Germany, Berlin | Retail/DIY | €28.6m/12% |
| 3 Germany, Hamburg | Office | €22.9m/9% |
| 4 Germany, Stuttgart | Office | €19.5m/8% |
| 5 France, Rennes | Industrial | €18.8m/8% |
| 6 The Netherlands, Apeldoorn | Mixed | €15.4m/6% |
| 7 The Netherlands, Alkmaar | Industrial | €11.5m/5% |
| 8 The Netherlands, Venray | Industrial | €11.1m/5% |
| 9 Germany, Frankfurt | Retail/Grocery | €11.1m/5% |
| 10 France, Rumilly | Industrial | €9.8m/4% |

Remaining five properties shown on the map are:

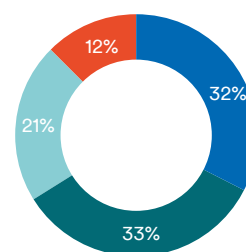
- 11 The Netherlands, Houten – Industrial
- 12 France, Cannes – Car showroom
- 13 France, Nantes – Industrial
- 14 The Netherlands, Utrecht – Industrial
- 15 The Netherlands, Venray II – Industrial

Sector allocation



- Sector**
- Office
 - Industrial
 - DIY and Grocery
 - Other
 - Cash

Country allocation



- Country**
- Germany
 - France
 - The Netherlands
 - Cash

1 Excludes the Seville property for which the NAV exposure is nil.
2 Reflects the value of directly held property assets of €214.1m and available cash of €28.9m (internally calculated).

Investment Manager’s Report continued

The table below sets out the portfolio’s top ten tenants by contracted rent, which are from a diverse range of industry segments and represent 70% of the portfolio¹.

Top Ten Tenants

| Rank | Tenant | Industry | Property | Contracted rent | | WAULT break (yrs) | WAULT expiry (yrs) |
|------------------------------|------------------|------------------|-----------|-----------------|-------------|-------------------|--------------------|
| | | | | €m | % of total | | |
| 1 | KPN | Telecom | Apeldoorn | 3.0 | 17% | 3.3 | 3.3 |
| 2 | Hornbach | DIY | Berlin | 1.8 | 11% | 2.3 | 2.3 |
| 3 | C-log | Logistics | Rennes | 1.2 | 7% | 7.4 | 7.4 |
| 4 | Outscale | IT | Paris | 1.0 | 6% | 5.7 | 8.8 |
| 5 | Filassistance | Insurance | Paris | 0.9 | 6% | 0.3 | 3.3 |
| 6 | DKL | Logistics | Venray | 0.8 | 5% | 5.0 | 5.0 |
| 7 | Cereal Partners | Consumer staples | Rumilly | 0.8 | 5% | 1.6 | 2.6 |
| 8 | LandBW | Government | Stuttgart | 0.8 | 5% | 2.8 | 2.8 |
| 9 | Schuurman Beheer | Manufacturing | Alkmaar | 0.7 | 4% | 14.5 | 19.5 |
| 10 | Inventum | Manufacturing | Houten | 0.7 | 4% | 6.3 | 6.3 |
| Total top ten tenants | | | | 11.7 | 70% | 4.3 | 5.2 |
| Remaining tenants | | | | 5.1 | 30% | 2.8 | 3.7 |
| Total | | | | 16.8 | 100% | 3.9 | 4.7 |

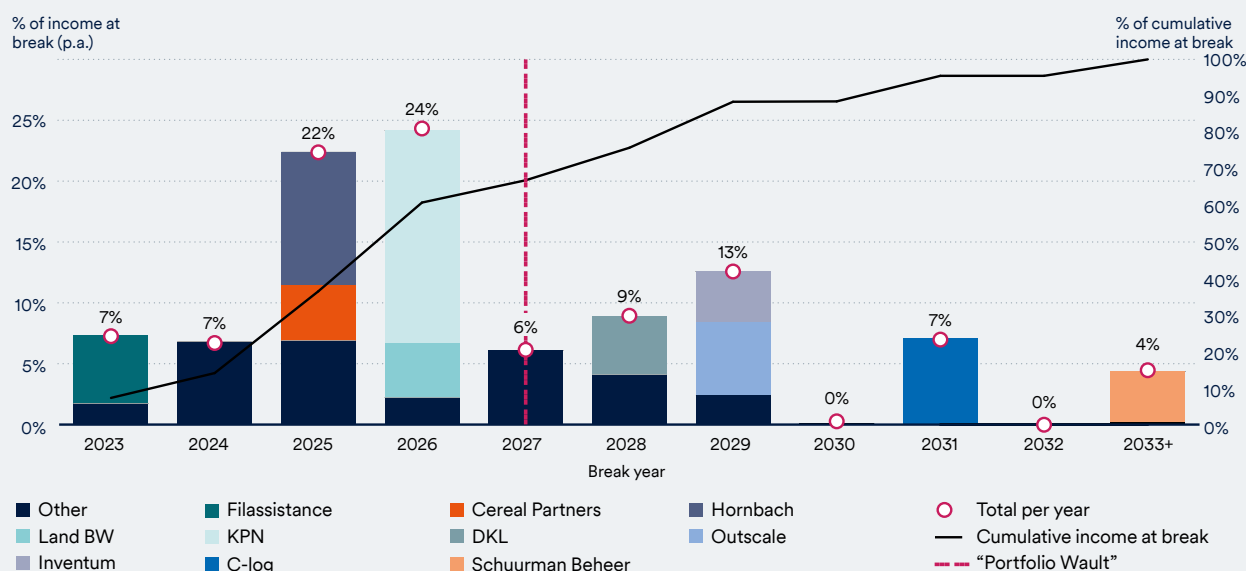
1 Excludes the Seville property for which the NAV exposure is nil.

The largest tenant is KPN, representing 17% of the portfolio’s contracted rent. KPN are a leading telecommunications and IT provider and market leader in the Netherlands. They occupy our mixed-use Apeldoorn asset (data centre and office).

The second largest tenant is Hornbach, the sole occupier of our Berlin DIY asset with a four hectare site that benefits from alternative use potential. Hornbach (presenting 11% of contracted rents) are a leading Germany-based operator of Do-it-yourself (‘DIY’) stores and home centres with strong financials.

The remaining large tenants, with businesses across a diversified range of industries, each account for between 4%-7% of portfolio rents. These include C-log, Outscale, Filassistance, DKL, Cereal Partners, Land Badenwürttemberg, Schuurman Beheer and Inventum.

Lease Expiry Chart



Rent collection update¹

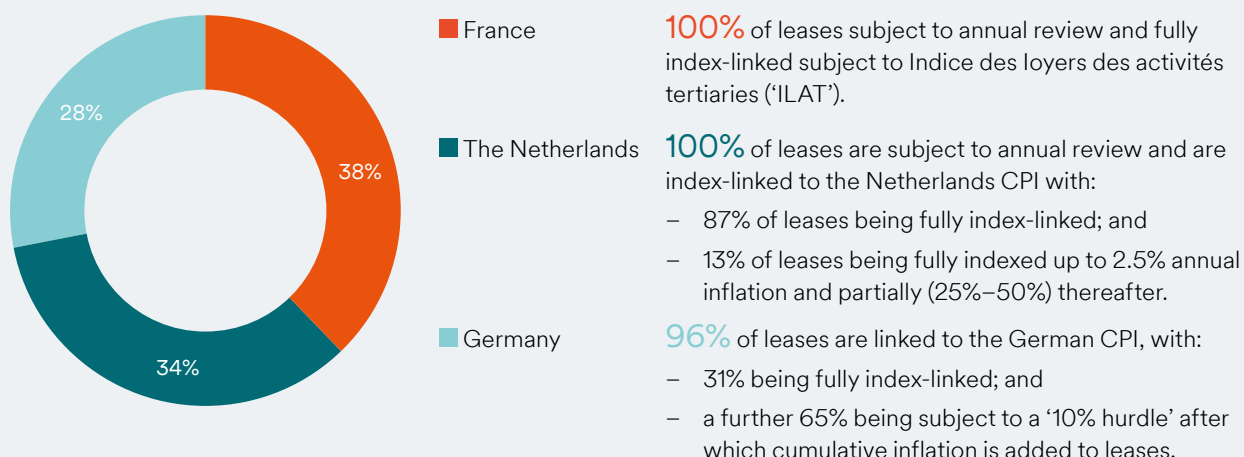
The diversification and granularity of the underlying rental income and ongoing occupier engagement, has again supported full rent collection rates with 100% of the contracted rents collected for the financial year.

| As at 30 September 2023 | Office | | Industrial | | Retail | | Mixed | | Total portfolio | |
|--------------------------|--------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------------------|---------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Paid | 99.3% ² | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 99.8% ² | 100.0% |
| Deferred | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Renegotiated/Outstanding | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Total | 99.3% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 99.8%² | 100.0% |

1 Rent collection table excludes the Seville property for which the NAV exposure is nil. 2022 refers to the SEREIT 2022 full year period between Q4 2021 and Q3 2022. 2023 refers to the SEREIT 2023 full year period between Q4 2022 to Q3 2023.
 2 Payment delayed for one tenant at Paris Saint Cloud for the Q3 2023 period due to a processing error which is being corrected.

Indexation

Across the direct portfolio, almost all of the contracted rents are subject to indexation clauses and all tenants have complied with payments in accordance with their respective indexation clauses. Indexation rules across the portfolio can be summarised as follows:



Paris Saint-Cloud, France

Transaction



Alkmaar, the Netherlands

The Alkmaar industrial asset in the Netherlands was acquired via a sale and leaseback transaction on 16 March 2023 for a gross price of €11.15 million reflecting a net initial yield of 5.6%. The latest Q3 2023 valuation is €11.45 million, reflecting a 2.7% uplift to the purchase price.

The asset is situated in Alkmaar, an established light industrial and distribution location with excellent arterial connectivity including motorway access to Amsterdam and the broader Randstad region; one of the Netherlands’ fastest growing regions from a population and manufacturing perspective.

The freehold, 9,115 sqm premises comprises warehouse, showroom and office accommodation, together with 48 parking spaces and 10 loading docks. The property, which has won a number of architectural awards for its design, has been built to a high standard with excellent sustainability credentials, including on-site renewable energy and an EPC rating of A+.

The asset is 100% occupied by W.A. Schuurman Beheer, an electrical engineering and renewable energy specialist that has been in operation for 100+ years and serves as its headquarters and key distribution hub. The 20-year triple net lease, with a break at 15 years, benefits from annual indexation which is subject to a stepped cap.



Rationale

- We have been patient in deploying the proceeds from the prior Paris BB office disposal to target growth cities and sectors
- Alkmaar was an off-market opportunity that increased our industrial allocation and improved income, covenant and sustainability credentials
- The 20-year lease increased the portfolio’s unexpired lease term by almost eight months
- The addition of this investment was instrumental in our ability to refinance the Dutch industrial portfolio at competitive terms
- Acquired off an attractive 5.6% net initial yield



Find out more on our website | <https://www.schroders.com/en-gb/uk/individual/funds-and-strategies/investment-trusts/schroder-european-real-estate-investment-trust/>



Houten, The Netherlands

Houten, the Netherlands

INDUSTRIAL

Asset overview and performance

Houten, in the Netherlands, was acquired in August 2018 for €7.2 million and comprises a 9,029 sqm warehouse with ancillary office accommodation on a 12,100 sqm land plot located 13 km south of Utrecht city centre in the established and popular de Meerpaal business park. As at 30 September 2023, the valuation of €9.2 million reflected a net initial yield of 6.5%.

Asset strategy

The strategy over the period was to drive value through investing in improving the sustainability credentials of the asset in exchange for re-gearing the lease thereby improving the unexpired lease term and quality of accommodation.

Rationale

- Capital expenditure of c.€1.6 million invested in Q1 2023 to upgrade the HVAC system and improve the sustainability credentials of the building by switching existing fixtures to LED lighting, adding solar panels on the roof and installing an automated building and control system
- The resulting installation of more efficient systems and on-site renewable energy, enhances the environmental performance of the building, reduces the tenant's operating cost and improves the quality of space for building occupiers
- In exchange for the works undertaken, a new 7.5 year lease was signed with the existing tenant. The rent is 100% indexed to CPI with successive five year extensions



Hamburg, Germany

Debt management

REFINANCING INITIATIVES

Portfolio overview and strategy

At the beginning of the current financial year, the Investment Manager had seven loans across the portfolio, three of which were expiring during the current period, reflecting 33% of the loan portfolio.

The Company successfully navigated these refinancing risks by completing two refinancings on highly competitive terms and repaying the third debt facility.

Rationale

- In Germany, the Company refinanced its offices in Hamburg and Stuttgart at a margin of 85bps and subject to no covenants
- In the Netherlands, the Company added unlevered industrial assets and switched lenders, resulting in a reduction in the margin from 215bps to 200bps
- In both instances we increased the loan principal by c.€4 million
- This allowed for the subsequent repayment of the Rumilly, France logistics loan (€3.7 million expired in April 2023) and further capacity to manage 2024 expiries
- Refinancing extended the portfolios average loan maturity by 20 months

Investment Manager's Report continued

Balance sheet

During the financial year, the Company successfully completed several initiatives related to its debt portfolio at competitive terms. As a result, it has extended the average loan maturity by 20 months and has established two new funding relationships further complementing existing strong relationships with financing partners. In detail:

- The Company refinanced its largest debt expiry, a loan secured against its Hamburg and Stuttgart office investments. The loan facility was also extended by a further €4 million and competitive financing for the new €18 million loan was obtained from VR Bank Westerwald.
- Refinancing of the Netherlands debt expiry in September 2023

was achieved with ABN Amro on competitive terms and the facility was extended by a further €4.5 million to €13.76 million by adding two unlevered industrial assets in Alkmaar and Venray as security. The new facility has a five-year term and the interest rate was fixed at a margin of 2.0% with all-in rate of 5.3%.

- A loan facility of €3.7 million secured against the Rumilly asset expired in April 2023 and was repaid with the additional debt raised from the new Hamburg/ Stuttgart loan.

The Company's third party debt totals €85.5 million across six loan facilities as at 30 September 2023. This represents a loan to value ('LTV') net of cash of 24% against the Company's gross asset value (gross

of cash LTV is 33%). There is a net of cash LTV cap of 35% that restricts concluding new external loans if the Company's net LTV is above 35%. An increase in leverage above 35% as a result of valuation decline is excluded from this cap. The current blended all-in interest rate is 2.9% and the average remaining loan term is 2.6 years.

The Company is in positive discussions with lenders regarding its debt expiries secured against the Paris Saint-Cloud and the Rennes assets and is confident in its ability to refinance these loans. In relation to the Paris loan expiry, management have agreed heads of terms with a lender to extend the financing. A formal announcement will be made once signed.

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

| Lender | Property | Maturity date | Outstanding principal | Interest rate | Headroom LTV covenant (% decline) | Headroom net income default covenant (% decline) |
|----------------------------|--|---------------|-----------------------|---------------|-----------------------------------|--|
| VR Bank Westerwald | Stuttgart/Hamburg | 30/12/2027 | €18.00m | 3.80% | No covenant | No covenant |
| BRED Banque Populaire | Paris (Saint-Cloud) | 15/12/2024 | €17.00m | 3M Eur +1.34% | 26% | 32% |
| Deutsche Pfandbriefbank AG | Berlin/Frankfurt | 30/06/2026 | €16.50m | 1.31% | 35% | 44% |
| ABN Amro | The Netherlands industrials ¹ | 27/09/2028 | €13.76m | 5.30% | 31% | 32% |
| Münchener Hypothekbank eG | Seville (50%) ² | 22/05/2024 | €11.68m | 1.76% | In breach ³ | In cash trap |
| Landesbank SAAR | Rennes | 28/03/2024 | €8.60m | 3M Eur +1.40% | 24% | 58% |
| Total | | | €85.54m | | | |

- 1 The ABN Amro loan is secured against five of the Netherlands industrial assets: Alkmaar, Venray, Houten, Utrecht and Venray II.
- 2 Includes the Company's 50% share of external debt in the Seville joint venture of €11.7 million and excludes unamortised finance costs.
- 3 Temporary waiver for breach of LTV covenant in Seville agreed with the lender.

- At Seville, the loan continues to be in breach of its loan covenants. All excess income generated by Seville is pledged to the lender. The Seville loan is being managed under an LTV covenant waiver to facilitate a sale. The loan is secured solely against the Seville investment, with no recourse back to the Company or any other entity within the Group.

- The German, Dutch and Spanish loans are fixed rate for the duration of the loan term. The French loans are based on a margin above three-month Euribor.
- The Company has acquired interest rate caps to limit future potential interest costs if Euribor were to increase. The combined fair value of the derivative contracts is €0.7 million as at 30 September 2023. The strike rates on the interest rate caps are between 1.0% p.a. and 1.25% p.a.

Details of individual interest derivative contracts were as follows:

- Paris, Saint-Cloud loan with BRED Banque Populaire: two caps totalling the full €17.0 million of the loan which expire on 15 December 2024 with a strike rate of 1.25%; and
- Rennes loan with Landesbank SAAR: a cap totalling the full €8.6 million of the loan which expires on 27 March 2024 with a strike rate of 1%.

Outlook

The financial year was characterised by rapid growth in energy prices, persistent inflation, rising interest rates, market volatility and European recession concerns. This led to a shift away from equity investments and a sharp correction in real estate values. Despite this, our operational asset management expertise and diversified investment strategy centred on liquid growth cities has helped to shelter large value erosion. The decision to remain conservative, retaining cash and a strong balance sheet, together with a move to a covered dividend approach, has placed the Company in a strong position.

As we move through 2023/24 a number of headwinds facing investment markets look to be easing, led largely by inflation and interest rates peaking. We continue to have conviction that investments with green certification will outperform and that poorer quality assets will become increasingly obsolete and illiquid. As such, we have commissioned sustainability audits across the majority of the portfolio to identify ways for each investment to remain attractive to occupiers, investors and lenders. The output from these audits over early 2024 will help in our capital deployment, earnings and overall growth potential. We remain committed to the strategy and our ability to position the vehicle to maximise shareholder returns.

Jeff O'Dwyer
Fund Manager

5 December 2023

Our approach to sustainability

Our sustainability strategy is delivering operational excellence for occupiers as well as demonstrating continued improvements in sustainability performance.

Key achievements

Improved 2023 GRESB score of 4-star rating

Score of 85 (up from 83 in 2022)

Completed BREEAM-In-Use certifications

5 assets

One BREEAM-In-Use completed in the last reporting year for Stuttgart

Number of assets with specialist sustainability and net zero carbon audits in progress

12

The Board and the Investment Manager believe that focusing on sustainability, and Environmental, Social and Governance ('ESG') considerations more generally, throughout the real estate lifecycle, will deliver enhanced long-term returns for shareholders as well as have a positive impact on the environment and the communities where the Company is investing. A key part of our sustainability strategy is delivering operational excellence for occupiers as well as demonstrating continued improvements in sustainability performance.

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

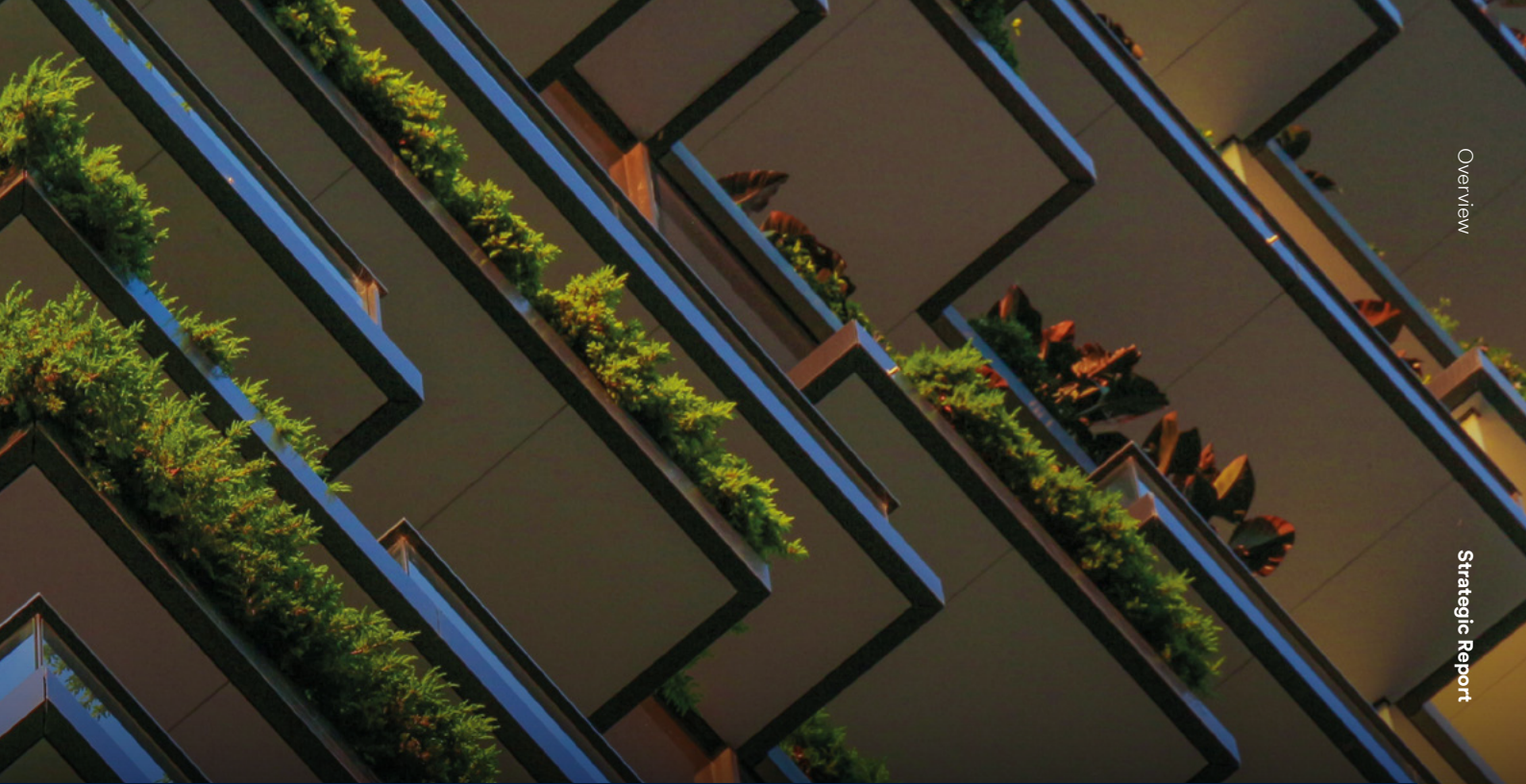
Active management of sustainability performance is a key component of responsible asset and building management. Reducing consumption, improving operational efficiency and delivering higher quality, more sustainable spaces,

will benefit tenants' occupational costs and may support tenant retention and attraction. In addition, it will assist in mitigating environmental impacts and help to future-proof the portfolio against future legislation.

This report seeks to present our approach to managing ESG considerations and performance against our sustainability objectives. Asset level initiatives highlighting ESG in practice are used throughout and detailed performance data are presented with the EPRA sBPR aligned Sustainability Performance Measures sections from page 102.



Further information on the Investment Manager's Sustainable Investment Real Estate with Impact approach, and its Sustainability Policy: Real Estate with Impact, can be found here | <https://www.schroderscapital.com/en/global/professional/sustainability-and-impact/our-approach/>



EPC performance¹

100%

Compliance with regulation^{1,2}

66%

EPC coverage^{1,2}

Increasing number of assets with on-site renewables

2 assets with solar PV

Additional solar PV study being undertaken at Berlin Hornbach

Portfolio green lease coverage¹

41%

By floor area

1 As per March 2023 which is in line with the Company's GRESB reporting year.

2 Partial coverage at 3 French and 6 Dutch assets due to GRESB EPC coverage logic and limitation of country EPC methodology. There is no recognised EPC energy assessment methodology for non-heated/air-conditioned areas within buildings. Industrial/logistic assets tend to be affected the most where the EPC covers only the office area which explains what could often be significant 'missing' floor area coverage.



Environment

Protecting our planet.



Read more on Environment and our initiatives | [Page 22](#)



Social

Supporting people and places.



Read more on Social and our initiatives | [Page 23](#)



Governance

Responsible business.



Read more on Governance and our initiatives | [Page 24](#)

Sustainability Report continued

Environmental

Protecting our planet

In the real estate sector climate change mitigation actions, such as reducing energy demand and implementing renewable energy systems, can collectively contribute to reducing the sector’s impact on the climate crises but also have the potential to achieve wellbeing gains from improved indoor air quality and thermal comfort, reduced financial burden and increased productivity. A central focus of our real estate investment strategy is the response to this both in terms of resilience to physical impacts and working to ensure resilience as society transitions to a low-carbon economy.

Performance against objectives

| Goal | March 2023 Outcome |
|--|---|
| Increase use of on-site renewable energy and to source 100% of landlord electricity through renewable tariffs by 2025 | <ul style="list-style-type: none"> – 2 assets with solar PV – 81% of the Company’s landlord procured electricity was on a renewable tariff |
| Annual reduction in landlord energy consumption and associated scope 1 and 2 greenhouse gas (‘GHG’) emissions on a like-for-like basis | <ul style="list-style-type: none"> – 6% increase in like-for-like landlord energy consumption – 1% increase in like-for-like landlord GHG emissions |
| Annual reduction in landlord like-for-like water consumption | – 13% increase in like-for-like landlord water consumption ¹ |
| Send zero waste to landfill and prioritise waste recycling | <ul style="list-style-type: none"> – Zero waste directly to landfill – 14% of waste was recycled and 86% was incinerated with energy recovery |
| Maintain 100% compliance with EPC regulations across the portfolio and improve proportion of assets with EPC ratings C or above (floor area) | <ul style="list-style-type: none"> – EPC coverage is 66%² – EPCs C and above rating is 37% (35% in March 2022) |
| Assess physical climate risk profiles for all assets and develop resilience strategies for all risks identified | Physical climate risk profile determined for all assets using third-party database |

Across the portfolio, we have continued to implement a number of initiatives to improve the environmental performance of our buildings which includes:

- Following installation of smart metering at Utrecht, we have utilised the Healthy Workers sustainability platform to improve monitoring and analysis of energy consumption with the aim of improving the quality and robustness of our whole building consumption data.
- Solar PV installation at Houten, EV charging stations installed at Apeldoorn and LED upgrades undertaken at Houten, Venray and Venray II over the year.
- Energy audits undertaken across the French sub-portfolio in preparation for the 2030 Décret Tertiaire.
- Ongoing monitoring of Impact & Sustainability Action Plans (‘ISAPs’) for each landlord managed asset including measures in Berlin for landscaping, installation of low-flow taps in Paris Saint-Cloud and reviewing options for reducing water usage in Hamburg and Stuttgart.

1 Annual like-for-like performance negatively impacted by impact of Covid-19 on occupancy in previous reporting period 2021.

2 Partial coverage at 3 French and 6 Dutch assets due to GRESB EPC coverage logic and limitation of country EPC methodology. There is no recognised EPC energy assessment methodology for non-heated/air-conditioned areas within buildings. Industrial/logistic assets tend to be affected the most where the EPC covers only the office area which explains what could often be significant ‘missing’ floor area coverage.

Social

Supporting people and places

In recent years, there has been a growing recognition of the importance of considering social factors in real estate investment, as investors seek to create sustainable and socially responsible portfolios. Social factors, such as occupier and community wellbeing, can have a significant impact on the value and success of real estate investments.

Performance against objectives

| Goal | March 2023 Outcome |
|--|--|
| Improve proportion of tenant surveys undertaken | – 67% of Company assets (10 out of 15 buildings) |
| Improve proportion of assets where occupier engagement activities are implemented | – 100% of Company assets (15 out of 15 buildings) |
| Improve proportion of assets where community engagement activities are implemented | – 40% of Company assets (6 out of 15 buildings) |
| Improve green lease coverage across the portfolio to 100% | – 41% of portfolio with green lease clauses in place (by floor area) |

It is widely reported that people now spend around 90% of their time indoors and so the spaces we create and manage have a significant influence over our physical and mental wellbeing. Equally important in the return to the workplace post-Covid is to the ability to offer easy access to high quality amenities. The Board and the Investment Manager also recognise that a building is not located in isolation but rather stands as part of its local community. Improving opportunities for interacting with 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. Throughout the period, the Investment Manager has continued to implement the following measures across the portfolio:

- Tenant satisfaction surveys sent to occupiers in Berlin, Houten, Venray II and Alkmaar thereby bringing the total number of assets with tenant satisfaction surveys to 10 buildings.
- Ongoing tenant engagement via regular on-site meetings, sharing the Schroders Tenant Sustainability Guide and improved communication of initiatives across the portfolio including ESG newsletters in Germany, placing signage of building certifications for occupiers and raising awareness on topical issues including the 2023 Earth Hour.
- Community engagement initiatives include using local contractors where possible across the German sub-portfolio thereby prioritising employment within the local community, working with local charities for social integration at Rumilly and improving the parking provision and upgrading the communal outdoor seating area at Utrecht thereby improving safety, accessibility and vibrancy for building users.

Sustainability Report continued

Governance

Responsible Investment

The Investment Manager operates an environmental management system ('EMS') externally certified in accordance with ISO 14001 for the asset management of direct real estate investments across Europe. This provides the framework for how sustainability principles (environmental and social) are managed throughout all stages of its investment process and the Investment Manager has provided a suite of tools to support the delivery of sustainability considerations at both asset and portfolio level including an ESG scorecard for acquisitions and ongoing asset performance monitoring, Impact & Sustainability Action Plans ('ISAPs') for standing investments, sustainable development brief for all projects and property manager sustainability requirements for use in all contractual property manager agreements.

The Investment Manager continues to work towards enhancing its understanding of portfolio asset sustainability credentials, commissioning sustainability and net zero carbon audits and certifications over the course of the reporting year which contribute towards improving our buildings' holistic sustainability performance which will be reflected in industry benchmarking platforms such as the Global Real Estate Sustainability Benchmark ('GRESB') and meeting the Company's commitments.

Performance against objectives

| Goal | March 2023 Outcome |
|--|--|
| Improve GRESB rating | <ul style="list-style-type: none"> – 4-star status (improved score to 85, previously 83) – Fourth in peer group of eight |
| Increase coverage of sustainability and net zero carbon audits across portfolio | <ul style="list-style-type: none"> – 12 third-party audits currently in progress |
| Improve coverage and quality of sustainability certifications (e.g. BREEAM) across portfolio | <ul style="list-style-type: none"> – Five assets with BREEAM-In-Use certifications (including one BREEAM-In-Use completed in the last reporting year for Stuttgart) |

- Strong focus on sustainability throughout the investment process including acquisitions, annual fund strategy, asset business plans and adoption of proprietary ESG Scorecard and sustainability and NZC audits (where feasible) to ensure a robust and consistent approach to sustainability performance analysis and monitoring at asset and portfolio level.
- The Company continues to strengthen its landlord-tenant relationships through leveraging off the Investment Manager's hospitality mindset and operational excellence which includes regular discussions with tenants, raising awareness of ESG matters and sustainability champions represented throughout the investment and asset management teams responsible for ensuring the continuous integration of sustainability considerations in day-to-day activities.
- Expanded Real Estate Sustainability team comprising five dedicated personnel including the Head of Sustainability and Impact Investment along with specialists in Energy and Net Zero Carbon, Climate and Social Impact who are responsible for setting and developing the sustainability and impact investment ambitions, processes and working with the Investment Manager to support the delivery of the programme.
- The independent SREIT board oversees the performance of the investments and the implementation of the investment strategy, policy and objective of the Investment Manager.

Industry Engagement

Schroders supports, and collaborates with, several industry groups, organisations and initiatives including the United Nations Global Compact, United Nations Principles of Responsible Investment ('UN PRI') and Net Zero Asset Manager's Initiative (of which it is a founding member). Further details of Schroders' industry involvement and compliance with UN PRI are listed at pages 55 of Schroders 2022 Annual Sustainable Investment Report here: <https://publications.schroders.com/view/119863317/>.

The Investment Manager is a member of several industry bodies including the European Public Real Estate Association ('EPRA'), INREV ('European Association for Investors in Non-Listed Real Estate Vehicles'), British Council for Offices and the British Property Federation. In 2017 became a member of the Better Buildings Partnership and a Fund Manager Member of Global Real Estate Sustainability Benchmark ('GRESB') of which the Company has participated in the annual real estate survey for the past seven years.

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

Sustainability and Net Zero Carbon ('NZC') Audits

Following a global tender process, the Investment Manager has selected and engaged two external providers to carry out sustainability and NZC audits for twelve assets across the portfolio.

Sustainability Audit scope

The audit is aligned to the Investment Manager's proprietary ESG Scorecard (and validated by an external sustainability specialist). It scores assets between 1 to 5 (5 being best) based on 11 key thematic weighted areas including energy and carbon; climate risk and resilience; biodiversity; transport and mobility; health and wellbeing; community and social integration; and building certifications.

It aims to integrate ESG considerations throughout the full asset lifecycle and ownership with scoring improving as asset sustainability measures are undertaken.

NZC Audit scope

In depth analysis of real estate assets' energy and carbon performance. It aims to provide accurate modelling and specific recommendations in the form of costed energy conservation measures ('ECMs'¹) to achieve Net Zero Carbon by 2050 at the latest for each asset. The clear report outputs will assist in informing asset managers in their asset business plans going forward.

Process

Each audit comprises a desktop analysis and site inspection in order to identify the current condition of the asset and potential improvement opportunities (including expected capital expenditure required).

This ongoing audit programme will help the portfolio to identify intervention points to significantly improve the underlying sustainability credentials of the portfolio in order to drive value and liquidity.

The results of these audits will be key to business plans, capital allocation and strategy.

¹ An energy conservation measures ('ECM') is an intervention action employed to improve the energy performance of a building. The objective of ECM's application is to reduce the amount of energy used in buildings by a particular process, technology or installation.

Business Overview

The following pages set out the Company's strategy for delivering the investment objective (set out on page 11), the business model, the risks involved, and how the Board manages and mitigates those risks. It also details the Company's purpose, values and culture, how it interacts with shareholders, and its approach to sustainability.

Company summary

SEREIF 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).

Business model

The Board has appointed the Investment Manager, Schroder Real Estate Investment Management Limited, to implement the investment strategy and to manage the Company's assets in line with the appropriate restrictions placed on it by the Board, set out on page 28.

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

Investment

Investment policy

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

Investment strategy and objectives

Details of the Company's investment objective may be found on page 11 and details of the Company's investment strategy may be found on pages 7 and 11.

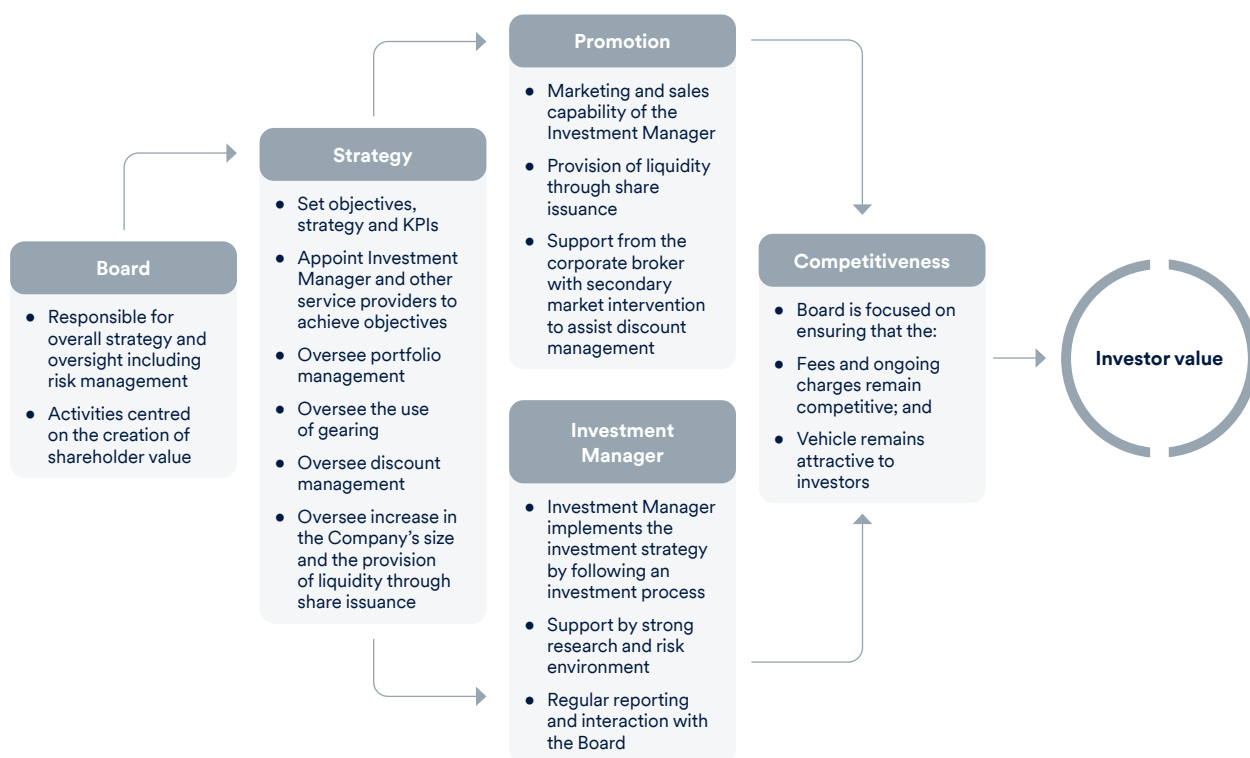
Diversification and asset allocation

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

From time to time the Board may also impose limits on sector, location and tenant types together with other activity such as development.



Berlin, Germany



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.



Business Overview continued

Interest rate exposure and currency hedging

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

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

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

Investment restrictions and spread of investment risk

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

The Company will not invest more than 10% of its gross assets in other listed closed-ended investment funds, except that this restriction shall not apply to investments in

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

Promotion

The Company promotes its shares to a broad range of investors, including discretionary wealth managers, private investors, financial advisers and institutions, which have the potential to be long-term supporters of the investment strategy.

The Company seeks to achieve this through its Investment Manager and corporate broker, which promote the shares of the Company through regular contact with both current and potential shareholders.

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

advertising in the trade press, maintaining relationships with financial journalists and the provision of digital information on Schroders' website. The Board also seeks active engagement with investors and meetings with the Chairman are offered to professional investors where appropriate.

Key performance indicators

The Board measures the development and success of the Company's business through achievement of the Company's investment objective: to provide shareholders with a regular and attractive level of income together with the potential for income and capital growth through investing in commercial real estate in Continental Europe.

This is considered to be the most significant key performance indicator for the Company. The Board regularly reviews its ability to maintain the level of the dividend and regularly considers asset valuations and any movements. Comment on performance against the investment objective can be found in the Chairman's Statement.

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

Purpose, value and culture

The Company's investment objective and purpose is set out on page 11. The Company's culture is driven by its values:

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

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

The Board recognises the Company's responsibilities with respect to corporate and social responsibility and engages with its service providers to safeguard the Company's interests. As part of this ongoing monitoring, the Directors receive reporting from service providers on matters such as their anti-bribery and corruption policies; Modern Slavery Act 2015 statements; diversity policies; and greenhouse gas and energy usage reporting. The Management Engagement Committee reviews the Company's service providers. Its report is on page 46.

Corporate and social responsibility

Board composition and diversity

As at 30 September 2023, the Board comprised three men and one woman. The biography of each of these Directors is set out on pages 38 and 39 of the report. The Board considers each of the Directors to be independent.

The Board has adopted a diversity and inclusion policy. The Board recognises that its debates and decision-making are greatly enriched by a wider range of perspectives and thinking, fostered by diversity of experience and knowledge, social and ethnic backgrounds, gender, and cognitive and personal strengths. It will encourage any recruitment agencies it engages to find a diverse range of candidates that meet the objective criteria agreed for each appointment. Appointments will always be based on merit alone. Candidates for Board vacancies are selected based on their skills and experience, which are matched against the balance of skills and experience of the overall Board taking into account the criteria for the role being offered. There have been no changes to the Board during the year.

Implementation of diversity policy

The Board has reported against the FCA's Listing Rules (LR 9.8.6R(9)(a)) in relation to diversity which requires that:

- at least 40% of individuals on the board are women;
- at least one of the senior board positions is held by a woman; and
- at least one individual on the board is from a minority ethnic background.

The FCA defines senior board positions as Chairman, Chief Executive Officer ('CEO'), Chief Financial Officer ('CFO') or Senior Independent Director ('SID'). As an investment trust with no executive officers, the Company has no CEO or CFO. The Board has reflected the senior position of the Chairman in its diversity tables on the next page.

Business Overview continued

The Board has chosen to align its diversity reporting reference date with the Company's financial year end and proposes to maintain this alignment for future reporting periods. As at 30 September 2023, the Company did not meet the expected targets. The Board fully supports all forms of diversity, including gender and ethnic diversity, and has adopted a diversity and inclusion policy. Whilst the Directors are all independent and have a diverse range of views and experiences, the Board is conscious that its small composition will make these targets challenging to fully implement. Recognising the benefits of a diverse Board, it is intended that improving diversity will continue to be a key factor when the Board makes its next appointment.

The data is set out in the tables below. There have been no changes since 30 September 2023 to the date of publication of the Annual Report and Accounts.

Table for reporting on gender

| | Number of Board members | Percentage of the Board | Number of senior positions on the Board | Listing Rules target |
|---------------------------------|-------------------------|-------------------------|---|--|
| Men | 3 | 75% | 1 | Women should make up at least 40% of the board and hold at least one of the senior positions |
| Women | 1 | 25% | – | |
| Other | – | – | – | |
| Not specified/prefer not to say | – | – | – | |

Table for reporting on ethnic background

| | Number of Board members | Percentage of the Board | Number of senior positions on the Board | Listing Rules target |
|--|-------------------------|-------------------------|---|---|
| White British or other White (including minority-white groups) | 4 | 100% | 1 | At least one member of the board should be from an ethnic minority background excluding white ethnic groups (as set out in categories used by the Office for National Statistics) |
| Mixed Multiple Ethnic Groups | – | – | – | |
| Asian/Asian British | – | – | – | |
| Black/African/Caribbean/Black British | – | – | – | |
| Other ethnic group, including Arab | – | – | – | |
| Not specified/prefer not to say | – | – | – | |

Financial crime policy

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

Relations with shareholders

Shareholder relations are given high priority by both the Board and the Investment Manager. The Company communicates with shareholders through its web pages, the Annual and Half Year Reports, and regular market communications which aim to provide shareholders with a clear understanding of the Company's activities and its results. In addition to the engagement and meetings held during the year, the Chairmen of the Board and its Committees attend the AGM and are available to respond to queries and concerns from shareholders.

Stakeholder engagement, section 172 of the Companies Act 2006

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

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

| Stakeholder | Stakeholder considerations, engagement and key decisions |
|--------------------------------------|--|
| <p>Shareholders</p> | <p>Without investors, who are willing to commit capital in return for a regular and attractive level of income together with the potential for income and capital growth as per the Company’s investment objective and purpose, the Company would not exist.</p> <p>The Company welcomes attendance and participation from shareholders at the Annual General Meeting. This will provide an opportunity for shareholders to engage with the Board and the Investment Manager. The annual and half-year results presentations are available on the Company’s website, with results and key updates announced via a regulatory news service. The Directors receive regular updates on the shareholder register, any trading activity and feedback received from investor meetings held by the Investment Manager and the corporate broker. The Board is responsible for discount and premium management, and is alert to the value shareholders place on maintaining as low a level of discount volatility as possible.</p> <p>As detailed in ‘Promotion’ on page 28 and ‘Relations with shareholders’ on page 30, the Company engages with its shareholders. The Board considered feedback by shareholders when declaring four interim dividends in respect of the year ended 30 September 2023. The Directors considered the long-term consequences of paying up from the Company’s distributable reserves, noted the financial position of the Company, and determined that the payment of the four interim dividends was in the best interests of its stakeholders.</p> <p>From an asset acquisition perspective, during the year, the Board approved the Investment Manager’s recommendation in relation to the acquisition of a Dutch industrial asset Alkmaar. The Board considered that this acquisition would diversify and strengthen the Company’s exposure to growth regions and sectors to the benefit of all stakeholders. Further detail is set out in the Investment Manager’s Report on pages 10 to 19.</p> |
| <p>The Investment Manager</p> | <p>The Board maintains a constructive and collaborative relationship with the Investment Manager, encouraging open discussion.</p> <p>The Board invites the Investment Manager to attend all Board and certain Committee meetings and receives regular reports on the performance of the investments and the implementation of the investment strategy, policy and objective. The portfolio activities undertaken by the Investment Manager and the impact of decisions affecting investment performance are set out in the Investment Manager’s Review on pages 10 to 19.</p> <p>The Management Engagement Committee reviews the performance of the Investment Manager, its remuneration and the discharge of its contractual obligations at least annually.</p> |

Strategic Review – Governance continued

| Stakeholder | Stakeholder considerations, engagement and key decisions |
|---|---|
| <p>Other service providers</p> | <p>As an externally managed investment trust, the Board is reliant on service providers who have a direct working or contractual relationship with the Company. This includes, but is not limited to, the Depositary, corporate broker and tax advisers.</p> <p>The Board maintains regular contact with its key service providers, both at the Board and Committee meetings, and through ad hoc communication throughout the year. The need to foster business relationships with key service providers is central to the Directors' decision-making as the Board of an externally managed investment trust. The effect of such engagement, to the extent relevant, is detailed in the Chairman's Statement; Investment Manager's Report; Audit, Valuation and Risk Committee Report; and Management Engagement Committee Report.</p> <p>During the year, the Management Engagement Committee undertook reviews of the third-party service providers and agreed that their continued appointment remained in the best interests of the Company and its Shareholders. In this respect, the Committee periodically reviews the market rates for services received, to ensure that the Company continues to receive high quality service at a competitive cost. Subsequent to a review during the year, Ernst & Young LLP was appointed as the new Auditor in March 2023 and Panmure Gordon (UK) Limited as the new corporate broker in October 2023.</p> <p>During the year, Directors attended a meeting to assess the internal controls of certain service providers including the Company's Depositary, Langham Hall, its UK Registrar, Equiniti, and Schroders Group Internal Audit. These meetings enable the Board to conduct due diligence on operations and IT risks amongst service providers; and to receive up-to-date information changes in regulation and market practice in the industry.</p> |
| <p>The Company's lenders</p> | <p>Borrowing allows the Company's shareholders to increase exposure to Winning Cities and Regions, and maximise returns in favourable markets at a low cost. They have a financial interest in the success of the Company. The Board is responsible for ensuring that the Company adheres to all existing loan covenants. The Board has continued to work closely with its lenders during the year, particularly in relation to the Seville asset, which is being managed under an LTV covenant waiver to facilitate sale. In addition, the Investment Manager has successfully refinanced two loans (German offices and Dutch logistics) at margins equal to or below existing margins and is in discussions on re-gearing 2024 expiries.</p> |
| <p>Occupiers</p> | <p>The Company has a diverse range of tenants occupying space across the portfolio. This includes businesses that operate out of our office or industrial space, and the retailers and shoppers who work at or visit our retail properties.</p> <p>Active and constant engagement with occupiers, either directly by the Investment Manager or through property managers or agents, provides intelligence as to what is important to them. Understanding changing needs, both at an individual company level, as well as on a sectoral and broader economic level, is a key tenet informing both individual asset management decisions as well as the longer-term strategic direction of the Company.</p> |
| <p>Local communities and the environment</p> | <p>Our assets are located across Continental Europe in a range of urban environments. The buildings and their occupiers are part of the fabric of local communities. The Company is committed to using resources such as energy, water and materials in a sustainable manner for the prevention of GHG and the mitigation of climate change.</p> <p>The Board expects the Investment Manager to engage with local communities, councils and individuals, and that the Company's asset strategies are sensitive to the unique heritage of each location and take into account environmental considerations. Further information on the Investment Manager's approach to these matters is set out in the Sustainability Report on pages 20 to 25.</p> <p>In light of the outsourced business model (set out further in the Directors' Report on pages 40 and 41), the impact of the Company's operations on occupiers, local communities and the environment is through the delivery of its service providers, in particular, the Investment Manager (in this respect see further the Sustainability Report at pages 20 to 25).</p> |

Principal risks and uncertainties

The Board is responsible for the Company’s system of risk management and internal control, and for reviewing its effectiveness. The Board has adopted a detailed matrix of principal risks affecting the Company’s business as an investment trust and has established associated policies and processes designed to manage and, where possible, mitigate those risks, which are monitored by the Audit, Valuation and Risk Committee on an ongoing basis. This system assists the Board in determining the nature and extent of the risks it is willing to take in achieving the Company’s strategic objectives. Both the principal risks and the monitoring system are also subject to robust review at least annually. The last review took place in November 2023.

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

control in place, this can provide only reasonable, and not absolute, assurance against material financial misstatement or loss and is designed to manage, not eliminate, risk.

From an emerging risks and uncertainties perspective, the Board recognises and continues to be mindful of the changing global environment and the risks posed by volatile markets; inflation and corresponding interest rate increases; geopolitical uncertainty; structural changes; sustainability; and occupier preferences which could affect the use and prospects of some real estate sectors. The Board receives regular updates on those macro risks from the Investment Manager. Overall, the diversification of the Company’s portfolio and its evolving strategy to place greater emphasis on sustainability-led asset improvements is expected to help minimise the impact of these factors.

The Board keeps these matters under review, particularly in connection with its decisions to redeploy investable cash.

During the year, the Board has redefined certain of its principal risks, especially the emerging risk relating to the sustainability and ESG credentials of the portfolio as its sustainability becomes a greater focus for the Company. The Board no longer considers Covid-19 to be a principal risk as the property markets have adapted to the threats posed. The previously identified principal risk of ‘Accounting, legal and regulatory (including tax)’ has now been consolidated into a single principal risk, ‘Regulatory compliance’.

A summary of the principal risks and uncertainties faced by the Company, and actions taken by the Board to manage and mitigate these risks and uncertainties, are set out below.

| Principal risks | Mitigation of risk |
|--|---|
| <p>Investment and strategy An inappropriate investment strategy, or failure to implement the strategy, could lead to underperformance in the property portfolio compared to the property market generally by incorrect sector or 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.</p> | <p>The Board seeks to mitigate these risks by:</p> <ul style="list-style-type: none"> – Diversification of its property portfolio through its investment restrictions and guidelines which are monitored and reported on by the Investment Manager. – 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. – Determining a borrowing policy, and ensuring the Investment Manager operates within its borrowing restrictions and guidelines. – Reviewing marketing and distribution activity, and considering the use of a discount control mechanism as necessary. – Undertaking an annual review of the ongoing suitability of the Investment Manager. |
| <p>Economic and property market The performance of the Company could be affected by economic, currency and property market risk. In the wider economy this could include inflation, stagflation or deflation (including in respect of costs such as construction costs and operating expenses), economic recessions, movements in foreign exchange and interest rates or other external shocks. The performance of the underlying property portfolio could also be affected by structural or cyclical factors impacting particular sectors (for example, retail) or regions of the property market and counterparty solvency.</p> | <p>The Board considers economic conditions and the uncertainty around political events when considering investment decisions. The Board mitigates property market risk through the review of the Company’s strategy on a regular basis and discussions are held to ensure the strategy is still appropriate or if it needs updating. Diversification of the majority of the portfolio across the office and industrial/logistics sectors in growth cities, and focus on functional and affordable space, provides defensive characteristics.</p> <p>The portfolio also benefits from a high percentage (approximately 100%) of inflation-linked leases which contributes to rental growth and mitigates value declines.</p> <p>The assets of the Company are almost all denominated in non-sterling currencies, predominantly the euro. No currency hedging is planned, but the Board continues to consider the hedging of dividend payments having regard to availability and cost.</p> |

Strategic Review – Governance continued

| Principal risks | Mitigation of risk |
|---|---|
| <p>Sustainability</p> <p>Sustainability considerations, including transition risks and physical risks (as defined by the Task Force on Climate-related Financial Disclosures ('TCFD'), explained further on pages 99 to 101 of these accounts), are not fully considered or properly understood in the acquisition and asset-planning processes leading to future issues (negative effect on price, valuation or saleability of assets, future costs to remediate, meeting the requirements of initiatives such as Net Zero Carbon/Climate Risk/BREEAM/EPC profile/GRESB).</p> | <p>The Manager's Investment Committee has a continued focus on sustainability to help ensure sustainability and impact ('S&I') risks and opportunities are appropriately integrated in investment decision-making through the whole asset life cycle. As part of the sustainability review, the Investment Manager has commissioned sustainability audits to benchmark the assets against a scorecard. This seeks to assess physical and transition climate risks alongside a range of other S&I factors, including for example natural resource management, indoor environmental quality and access to community facilities, to develop a holistic understanding of the sustainability credentials of prospective investments. Each asset scorecard is to be updated annually to demonstrate score progress and evaluate any changes to the sustainability risk profile. Impact and Sustainability Action Plans are completed for all directly managed assets in order to plan and manage sustainability interventions identified through the scorecard.</p> <p>The Board regularly reviews the objectives and progress of the Sustainability programme.</p> <p>The Investment Manager is in the final stage of successfully transitioning to Deepki, a new sustainability data management platform, designed to better understand and drive sustainability performance through enhanced data analytics. Deepki will be the main system used for collating sustainability data for the Company's portfolio which is then reported to the Manager, Board and investors.</p> <p>Furthermore, the Board is provided with independent, third-party assurance over the reported sustainability performance data disclosed in annual reports and other external submissions (e.g. GRESB), which is delivered by an external verification specialist.</p> |
| <p>Valuation</p> <p>Property valuations are inherently subjective and uncertain, due to the individual nature of each property and its liquidity, particularly under stressed market conditions.</p> <p>Valuations also include annual reinstatement costs for insurance purposes. Inflation and availability of goods and services, could heighten the risk around correct reinstatement values and completion programmes.</p> | <p>External valuers provide independent valuation of all assets at least quarterly. The Audit, Valuation and Risk Committee includes two experienced chartered surveyors. Members of the Audit, Valuation and Risk Committee meet with the external valuers to discuss the basis of their valuations and their quality control processes on a quarterly basis.</p> |
| <p>Gearing and leverage</p> <p>The Company utilises credit facilities. These arrangements increase the funds available for investment through borrowing. While this has the potential to enhance investment returns in rising markets, in falling markets the impact and availability of financing could be detrimental to performance, and may also result in potential non-compliance with loan covenants or refinancing risk.</p> | <p>Gearing, including covenant compliance, is monitored at quarterly Board meetings, and ad hoc as required, and strict restrictions on borrowings are imposed both internally and by lenders. The overall cost of debt is regularly reviewed with any new debt or refinancing presented to the Schroders Real Estate Investment Committee and Board for approval.</p> <p>All loans due to expire in the 2023 financial year were either successfully refinanced in good time or were repaid. All future loan refinancings are monitored closely and proactive discussions with third-party lenders commence well in advance of existing loan maturity dates to reduce refinancing risk. Furthermore, the Group's strong cash position continues to provide viable future alternatives should the Group deem that loan repayments, in part or in full, would be beneficial.</p> <p>In relation to the Seville asset, the Company is working closely with the lender to manage the asset under an LTV covenant breach waiver to facilitate a sale. The loan is secured only by the asset and there is no recourse to the Company, or any other entity in the Group.</p> |
| <p>Regulatory compliance</p> <p>The Company has to comply with a wide range of legislation and regulations, covering planning, health and safety, Company law, accounting, reporting, tax and Listing Rules.</p> | <p>The Board has appointed the Investment Manager as its Alternative Investment Fund Manager ('AIFM') in accordance with the Alternative Investment Fund Managers Directive ('AIFMD').</p> <p>The Investment Manager monitors 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.</p> <p>The Board is satisfied that the Investment Manager has adequate procedures in place to ensure continued compliance with the regulatory requirements of the Financial Conduct Authority, the Listing Rules of the London Stock Exchange and any other required authority. The Investment Manager has retained external tax advisers, who are overseen by the Schroders tax team, to ensure compliance with relevant local tax regulations.</p> |

Risk assessment and internal controls

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

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

A full analysis of the financial risks facing the Company and its subsidiaries is set out in note 22 on pages 88 to 90.

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 2.6 years and the average unexpired lease term, assuming all tenants vacate at the earliest opportunity, is 3.9 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 33 and 34, which could negatively impact its ability to deliver the investment objective, strategy, liquidity and solvency. This includes consideration of scenario stress testing and a cash flow model prepared by the Investment Manager that analyses the sustainability of the Company's cash flows, dividend cover, compliance with bank covenants, general liquidity requirements and potential legal and regulatory change for a five-year period.

These metrics are subject to a sensitivity analysis which involves flexing a number of the main assumptions including macro-economic scenarios, delivery of specific asset management initiatives, rental growth and void/reletting assumptions. The Board also reviews assumptions regarding capital recycling and the Company's ability to refinance or extend financing facilities. Steps which are taken to mitigate these risks as set out in the Strategic Review on pages 33 and 34 are also taken into account.

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

Going concern

The Board believes it is appropriate to adopt the going concern basis in preparing the financial statements. A comprehensive going concern statement setting out the reasons the Board considers this to be the case is set out in note 1 on page 68.

By order of the Board

Sir Julian Berney Bt.
Chairman

5 December 2023

Governance Report

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Board of Directors

No Director has any entitlement to pensions and the Company has not awarded any share options or long-term performance incentives to any of them. No element of Directors' remuneration is performance-related. There were no payments to Directors for loss of office.

No Director has a service contract with the Company. However, each of the Directors has a letter of appointment with the Company. The Directors' letters of appointment, which set out the terms of their appointments, are available for inspection at the Company's registered office address during normal business hours and will be available for inspection at the AGM.

As noted in the Chairman's Statement, Mark Beddy has been appointed as a Director with effect from 1 January 2024. Jonathan Thompson will step down at the AGM in March 2024 and be succeeded by Mark Beddy as Audit, Valuation and Risk Chairman.



Sir Julian Berney Bt.

Independent Non-Executive Chairman

Length of service

Eight years – appointed as a Director and Chairman on 6 November 2015

Biography

Aged 71, has over 40 years' real estate experience. During this period he has worked on property investment portfolios in the UK, Scandinavia, and Continental Europe. In recent years he has assisted Cityhold, part of the National Pension Fund of Sweden, to acquire and manage its property investment portfolio in the UK and Continental Europe. Formerly he was a director at BNP Paribas Real Estate Investment Management with responsibilities to its European fund and with Aberdeen Property Investors to develop its property funds. A large part of his career was at Jones Lang LaSalle where he was an international director and held a number of senior appointments including chairman of the Scandinavian businesses, a director of the European business team, and a member of the European Capital Markets board. He is a Fellow of the Royal Institution of Chartered Surveyors.

Committee membership

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

Current remuneration

£50,000 per annum

Material interests in any contract which is significant to the Company's business

None

Shared directorships with any other Director of the Company

None



Mr Mark Patterson

Independent Non-Executive Director

Eight years – appointed as a Director on 29 October 2015

Aged 69, 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 was responsible for the development and execution of Standard Chartered's inorganic growth strategy, where he led a number of the bank's acquisitions and investments as well as its own equity fundraisings. He previously held senior investment banking positions with Australia and New Zealand Bank, and with Deutsche Bank. He graduated from Oxford University, qualified as a solicitor and worked with Slaughter and May prior to his move into banking.

Committee membership

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

Current remuneration

£40,000 per annum

Material interests in any contract which is significant to the Company's business

None

Shared directorships with any other Director of the Company

None



Mr Jonathan Thompson

Independent Non-Executive Director

Eight years – appointed as a Director on 29 October 2015

Aged 65, is the non-executive chairman of the Argent group of real estate regeneration, development and investment businesses. He is also a non-executive director and chair of the audit committee at Phoenix Spree Deutschland PLC, non-executive deputy chair and chair of the audit and risk committee at The Government Property Agency and is an independent member of the investment advisory board to three family wealth funds. He is a past chairman of the Investment Property Forum and a past board member of the British Property Federation. An accountant by background, he spent 32 years at KPMG including 12 years as chair of KPMG's International Real Estate and Construction practice. He is a member of the Institute of Chartered Accountants and an Honorary Fellow of the Royal Institution of Chartered Surveyors.

Committee membership

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

Current remuneration

£45,000 per annum

Material interests in any contract which is significant to the Company's business

None

Shared directorships with any other Director of the Company

None



Ms Elizabeth Edwards

Independent Non-Executive Director

Three years – appointed as a Director on 1 November 2020

Aged 66, is currently the senior independent director of CLS Holdings plc as well as being a member of the audit and nominations committee. She is a Trustee of Refuge and a member of audit committee, also a Trustee of the Central School of Ballet, where she is also a member of the audit committee. A chartered surveyor by background and a Fellow of the Royal Institution of Chartered Surveyors, she has worked in commercial property investment both in the UK and Europe since 1980, with a focus on lending.

Committee membership

Audit, Valuation and Risk; Management Engagement; and Nomination and Remuneration Committees

Current remuneration

£40,000 per annum

Material interests in any contract which is significant to the Company's business

None

Shared directorships with any other Director of the Company

None

Directors' Report

The Directors submit their report and the audited consolidated financial statements of the Company and its subsidiaries (together, the 'Group') for the year ended 30 September 2023.

Directors and officers

Chairman

The Chairman is an independent non-executive Director who is responsible for leadership of the Board and ensuring its effectiveness in all aspects of its role. The Chairman's other significant commitments are detailed on page 38. He has no conflicting relationships.

Company Secretary

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

Role and operation of the Board

The Board of four Directors, listed on pages 38 and 39, is the Company's governing body; it sets the Company's strategy and is collectively responsible to shareholders for its long-term success. The Board is responsible for appointing and subsequently monitoring the activities of the Investment Manager and other service providers to ensure that the investment objective of the Company continues to be met. The Board also ensures that the Investment Manager adheres to the investment restrictions set by the Board and acts within the parameters set by it in respect of any gearing.

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

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

Four Board meetings are usually scheduled each year to deal with matters including: the setting and monitoring of investment strategy; potential acquisitions and disposals; approval of borrowings; review of investment performance; the level of discount of the Company's shares to underlying NAV per share; promotion of the

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

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

Committees

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

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

Key service providers

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

Investment Manager

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

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

The Schroders Group (being Schroders plc and its subsidiaries, including the Investment Manager) manages £724.3 billion (as at 30 September 2023) on behalf of institutional and retail investors, financial institutions and high net worth clients from around the world, invested in a broad range of asset classes across equities, fixed income, multi-asset and alternatives.

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

The management fee payable in respect of the year ended 30 September 2023 amounted to €1,981,000 (2022: €2,198,000).

During the year ended 30 September 2023, the Investment Manager was entitled to receive a fee for secretarial and accounting services provided to the Company.

Details of all amounts payable to the Investment Manager are set out in note 5 on page 75.

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

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.

Compliance with the AIC Code of Corporate Governance

The Board of the Company has considered the principles and provisions of the AIC Code of Corporate Governance, as published in February 2019 (the 'AIC Code'). The AIC Code addresses the principles and provisions set out in the UK Corporate Governance Code (the 'UK Code'), as well as setting out additional provisions on issues that are of specific relevance to the Company.

The Board considers that reporting against the principles and provisions of the AIC Code, which has been endorsed by the Financial Reporting Council, provides more relevant information to shareholders. The AIC Code is available on the AIC website (www.theaic.co.uk). It includes an explanation of how the AIC Code adopts the principles and provisions set out in the UK Code to make them relevant for investment companies. The UK Code is available from the Financial Reporting Council's website at www.frc.org.uk.

The FCA requires all UK listed companies to disclose how they have complied with the provisions of the UK Code. This statement, together with the Statement of Directors' Responsibilities set out on page 52 and the viability and going concern statements set out on page 35 indicate how the Company has complied with the principles of good governance of the UK Code and its requirements on internal control. The Strategic Report and Directors' Report provide further details on the Company's internal controls (including risk management), governance and diversity policies.

The Company has complied with the principles and provisions of the AIC Code, save for the provision relating to the appointment of a senior independent director ('SID'), where departure from the Code is considered appropriate given the Company's position as an investment company. As the Board comprises entirely non-executive Directors, the appointment of a SID has not been considered necessary. However, the Chairman of the Audit, Valuation and Risk Committee effectively acts as the Senior Independent Director, leads the evaluation of the performance of the Chairman and is available to Directors and/or shareholders if they have concerns which cannot be resolved through discussion with the Chairman.

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

Directors' Report continued

Dividend and dividend policy

Having already declared and paid interim dividends amounting to 5.18 euro cents per share, the Board has declared a fourth interim dividend of 1.48 euro cents per share for the year ended 30 September 2023 which will be payable on 25 January 2024 to shareholders on the Register on 29 December 2023. Thus, dividends declared in respect of the year ended 30 September 2023 amount to 6.66 euro cents (2022: 12.25 euro cents) per share.

The Company targets to deliver a growing, fully covered dividend. In line with the Board's policy, it is expected that interim dividends on the Company's ordinary shares will continue to be declared and paid quarterly.

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

Status

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

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

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

As at the date of this report, the Company had 18 subsidiaries, details of which are set out in note 15 on page 82, and a branch in France.

Listing Rule disclosure

The Company confirms that there are no items which require disclosure under Listing Rule 9.8.4R in respect of the year ended 30 September 2023.

Information included in Strategic Report

The Company's disclosures on future developments and carbon emissions are included in the Strategic Report on pages 20 and 25 respectively.

Financial risk management

Details of the Company's financial risk management objectives and exposure to risk can be found in note 22 on pages 86 to 90.

Share capital and substantial share interests

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

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

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

| | Number of ordinary shares as at 30 September 2023 | Percentage of total voting rights |
|--|---|---|
| Truffle Asset Management Pty Limited | 13,374,389 | 10.00 ¹ |
| Schroders plc | 10,750,000 | 8.04 |
| Rathbones Investment Management Limited/ Investec Wealth and Investment Limited | 8,100,226 | 6.06 ² |
| Close Asset Management Limited | 6,775,921 | 5.07 |
| Wesleyan Assurance Society | 4,042,500 | 3.02 |

- 1 The Board is aware that, since the last notification made to the Company in March 2016, the investor's percentage of total voting rights has fallen below 3%.
- 2 Ownership includes the combined Rathbones and Investec Wealth interests which were merged on 21 September 2023.

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

Provision of information to the Auditor

The Directors at the date of approval of this report confirm that, as far as each of them is aware, there is no relevant audit information of which the Company's Auditor is 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 Auditor is aware of that information.

Directors' attendance at meetings

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

| | Board | Audit, Valuation and Risk Committee | Nomination and Remuneration Committee | Management and Engagement Committee |
|----------------------------------|-------|-------------------------------------|---------------------------------------|-------------------------------------|
| Sir Julian Berney Bt. (Chairman) | 4/4 | 4/5 | 1/1 | 1/1 |
| Jonathan Thompson | 4/4 | 5/5 | 1/1 | 1/1 |
| Mark Patterson | 4/4 | 5/5 | 1/1 | 1/1 |
| Elizabeth Edwards | 4/4 | 5/5 | 1/1 | 1/1 |

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

Directors' and officers' liability insurance and indemnity

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

Streamlined Energy and Carbon Reporting

Streamlined Energy and Carbon Reporting disclosures, including details of the Company's greenhouse gas emissions, are set out in the Streamlined Energy and Carbon Report on pages 102 to 115.

By order of the Board

Schroder Investment Management Limited

Company Secretary

5 December 2023

Audit, Valuation and Risk Committee Report

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

The Committee met five times during the year ended 30 September 2023. Committee meetings are attended by all members. The Committee discharged its responsibilities by:

- reviewing the property valuations prepared by Knight Frank LLP;
- undertaking an Audit Tender and selecting a new Auditor;
- considering its terms of reference;
- reviewing the Half Year and Annual Report and Accounts and related audit plans and engagement letters;
- reviewing environmental, social and governance (‘ESG’) matters;
- reviewing the independence of the Auditor;
- evaluating the Auditor’s performance; and
- reviewing the principal risks faced by the Company and the internal controls system.

Annual Report and financial statements

During its review of the Company’s financial statements for the year ended 30 September 2023, the Audit, Valuation and Risk Committee considered the following significant issues, including principal risks and uncertainties in light of the Company’s activities, and issues communicated by the Auditor during its reporting:

| Matter | Action |
|--|--|
| <p>Property valuation Property valuation is central to the business and is a significant area of judgement. Although valued by an independent firm of valuers, Knight Frank LLP, the valuation is inherently subjective. Errors in valuation could have a material impact on the Group’s NAV.</p> | <p>The Audit, Valuation and Risk Committee reviewed the outcomes of the valuation process throughout the year and discussed the detail of each quarterly valuation with the Investment Manager at the Committee meetings.</p> <p>The Audit, Valuation and Risk Committee met with Knight Frank LLP each quarter outside the formal meeting structure to discuss the process, assumptions, independence and communication with the Investment Manager. As this is the main area of audit focus, the Auditor contacts the valuers directly and independently of the Investment Manager. The Audit, Valuation and Risk Committee receives detailed verbal and written reports from the Auditor on this matter as part of their half year and year end reporting to the Audit, Valuation and Risk Committee.</p> <p>On the basis of the above, the Audit, Valuation and Risk Committee concluded that the valuations were suitable for inclusion in the financial statements.</p> |
| <p>Overall accuracy of the Half Year and Annual Report and Accounts</p> | <p>Consideration of the draft Half Year and Annual Report and Accounts and the letter from the Investment Manager in support of the letter of representation to the Auditor. Specific matters considered in relation to the Half Year Report and Accounts included IFRS 15 revenue recognition in respect of Paris, Boulogne-Billancourt, and impairment of the Seville joint venture under IFRS 9.</p> |
| <p>Calculation of the investment management fee</p> | <p>Consideration of methodology used to calculate the fee, matched against the criteria set out in the Investment Management Agreement.</p> |
| <p>Internal controls and risk management</p> | <p>The UK Corporate Governance Code requires the Board to monitor the Company’s risk management and internal control systems and, at least annually, carry out a review of their effectiveness and report on that review in the annual report. The Audit, Valuation and Risk Committee, on behalf of the Board, also regularly reviews a detailed ‘risk matrix’ identifying significant strategic, investment-related, operational and service provider-related risks and ensures that risk management and all aspects of internal control are reviewed at least annually.</p> <p>The Company’s system of internal controls is substantially reliant on the Investment Manager’s own internal controls and internal audit processes due to the relationships in place.</p> <p>Although the Board believes that it has a robust framework of internal controls in place, this can provide only reasonable and not absolute assurance against material financial misstatement or loss and is designed to manage, not eliminate, risk. No significant issues were identified from the internal controls review.</p> |
| <p>Compliance with the investment trust qualifying rules in section 1158 of the Corporation Tax Act 2010</p> | <p>Consideration of the Investment Manager’s Report confirming compliance.</p> |

Independent Auditor

In accordance with regulatory requirements, PricewaterhouseCoopers LLP would only have been able to audit the Company for a further three years following the 30 September 2023 year end. In light of this, the Committee agreed to commence an audit tender slightly earlier than required.

In January 2023, the Committee undertook a formal and competitive audit tender and invited the current incumbent at the time, PricewaterhouseCoopers LLP, and Ernst & Young LLP to present to the Committee.

Following this process, the Committee recommended to the Board the appointment of Ernst & Young LLP as the Company's Auditor for the year ended 30 September 2023. Ernst & Young LLP were appointed as Auditor on 6 June 2023. In reaching its decision, the Committee took into account a number of factors including the independence, skills and experience of the two firms, as well as the proposed level of audit fees. A resolution to appoint Ernst & Young LLP as the Company's Auditor and to authorise the Directors to determine their remuneration will be proposed at the forthcoming AGM. The Committee has recorded its appreciation for the service provided by PricewaterhouseCoopers LLP over the years.

Effectiveness of the independent audit process

The Committee evaluated the effectiveness of the independent audit firm, Ernst & Young LLP, and its audit process prior to making a recommendation on its appointment at the forthcoming AGM. This evaluation involved an assessment of the effectiveness of the Auditor's 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 Auditor, which details compliance with regulatory requirements, on safeguards that have been established, and on their own internal quality control procedures. The members of the Committee were also given the opportunity to meet with the Auditor without representatives of the Investment Manager present.

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

The Auditor is required to rotate the senior statutory Auditor every five years. This is the first year that the senior statutory Auditor, Denise Davidson, has conducted the audit of the Company's financial statements. There are no contractual obligations restricting the choice of external auditors.

Provision of non-audit services

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

During the year, the Auditor carried out an interim review which is an assurance related non-audit service. The interim review fee was €51,000 (2022: €51,500). The Auditor did not perform any other non-audit services during the year.

Internal audit

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

Jonathan Thompson

Audit, Valuation and Risk Committee Chairman

5 December 2023

Recommendations made to, and approved by, the Board:

- As a result of the work performed, the Committee has concluded that the Annual Report for the year ended 30 September 2023, 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 52.
- The Committee recommended that the going concern presumption be adopted in the Annual Report and Accounts and the explanations set out in the viability statement.
- That the Auditor be recommended for appointment at the AGM and the Directors be authorised to determine their remuneration.

Management Engagement Committee Report

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

| Approach | |
|---|--|
| Oversight of the Investment Manager | Oversight of other service providers |
| <p>The Committee:</p> <ul style="list-style-type: none"> – reviews the Investment Manager’s performance and suitability; – considers the reporting it has received from the Investment Manager throughout the year, and the reporting from the Investment Manager to shareholders; – assesses management fees on an absolute and relative basis, receiving input from the Company’s corporate broker, including peer group and industry figures, as well as the structure of the fees; – reviews the appropriateness of the Investment Manager’s contract, including terms such as notice period; and – assesses whether the Company receives appropriate administrative, accounting, company secretarial and marketing support from the Investment Manager. | <p>The Committee reviews the performance and competitiveness of the Company’s service providers on at least an annual basis, including the corporate broker, the valuers and the registrars.</p> <p>The Committee noted the Audit, Valuation and Risk Committee’s review of the Auditor.</p> |

| Application during the year | |
|---|--|
| Oversight of the Investment Manager | Oversight of other service providers |
| <p>The Committee undertook a detailed review of the Investment Manager’s performance and agreed that it has the appropriate capabilities required to allow the Company to meet its investment objective.</p> <p>The Committee also reviewed the terms of the Investment Management Agreement and agreed they remained fit for purpose.</p> <p>The Committee reviewed the other services provided by the Investment Manager and agreed they were satisfactory.</p> | <p>During the year, the Management Engagement Committee undertook reviews of the third-party service providers and agreed that their continued appointment remained in the best interests of the Company and its shareholders. In this respect, the Committee periodically reviews the market rates for services received, to ensure that the Company continues to receive high quality service at a competitive cost. Subsequent to a review during the year, Ernst & Young LLP was appointed as the new Auditor in March 2023 and Panmure Gordon (UK) Limited as the new corporate broker in October 2023.</p> <p>The Committee noted that the Audit, Valuation and Risk Committee had undertaken a detailed evaluation of the Investment Manager, Depositary and Registrar’s internal controls.</p> |

| Recommendations made to, and approved by, the Board: |
|--|
| <ul style="list-style-type: none"> – That the ongoing appointment of the Investment Manager on the terms of the Investment Management Agreement, including the fee, was in the best interests of shareholders as a whole. – That the Company’s service providers’ performance remained satisfactory. |

Nomination and Remuneration Committee Report

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

Oversight of Directors



| Approach | | |
|--|--|---|
| Selection and induction | Board evaluation and fees | Succession |
| <ul style="list-style-type: none"> – Committee prepares a job specification for each role. For the Chairman and the Chairmen of Committees, the Committee considers current Board members too. – Job specification outlines the knowledge, professional skills, personal qualities and experience requirements. – Potential candidates assessed against the Company's diversity policy. – Committee discusses the long list, invites a number of candidates for interview and makes a recommendation to the Board. – Committee reviews the induction and training of new Directors. | <ul style="list-style-type: none"> – Committee assesses each Director annually as well as the performance of the Board as a whole and its Committees. – Evaluation focuses on whether each Director continues to demonstrate commitment to their role and provides a valuable contribution to the Board during the year, taking into account time commitment, independence, conflicts and training needs. – Following the evaluation, the Committee provides a recommendation to shareholders with respect to the annual re-election of Directors at the AGM. – All Directors retire at the AGM and their re-election is subject to shareholder approval. – Committee reviews Directors' fees, taking into account comparative data and reports to shareholders. – Any proposed changes to the remuneration policy for Directors are discussed and reported to shareholders. | <ul style="list-style-type: none"> – The Board's succession policy is that Directors' tenure will be for no longer than nine years, except in exceptional circumstances, and that each Director will be subject to annual re-election at the AGM. – Committee reviews the Board's current and future needs at least annually. Should any need be identified the Committee will initiate the selection process. – Committee will oversee the handover process for retiring Directors. |

Nomination and Remuneration Committee Report continued

| Application during the year | | |
|---|---|--|
| Selection and induction | Board evaluation and fees | Succession |
| <ul style="list-style-type: none"> While no new appointments were made during the year, subsequent to the year end, it was agreed that Mark Beddy should join the Board with effect from 1 January 2024. Mark Beddy's appointment was made following a review by the Board of its composition, diversity, efficacy and length of service. Having regard to the Company's Articles of Association and the Board's succession plan, the Board drew up a list of desirable skills and industry experience for a new Director. Mark Beddy's appointment was made following an interview process where it was determined that he was the best candidate for the role. No external search agency was used in this process. | <ul style="list-style-type: none"> The annual Board evaluation was undertaken in November 2023. The Committee reviewed each Director's time commitment and independence by reviewing a complete list of appointments, including pro bono not for profit roles, to ensure that each Director remained free from conflict and had sufficient time available to discharge each of their duties effectively. All Directors were considered to be independent in character and judgement. The Committee considered each Director's contributions, and noted that in addition to extensive experience as professionals and non-executive Directors, each Director had valuable skills and experience, as detailed in their biographies on pages 38 and 39. Based on its assessment, the Committee provided individual recommendations for each Director's re-election or election, except Jonathan Thompson who will retire from the Board at the forthcoming AGM and be succeeded by Mark Beddy as Audit, Valuation and Risk Chairman. The Committee last increased Directors' fees in 2021. During the year, the Committee reviewed Directors' fees, using external benchmarking, and recommended no increase for the current financial year to 30 September 2023. | <ul style="list-style-type: none"> The Committee has formulated a succession plan which is reviewed and maintained through the Nomination and Remuneration Committee to promote regular refreshment and diversity, whilst maintaining stability and continuity of skill and knowledge on the Board. |

Recommendations made to, and approved by, the Board:

- That no fee increase is recommended for the year under review.
- That all Directors continue to demonstrate commitment to their roles, provide a valuable contribution to the deliberations of the Board and remain free from conflicts with the Company and its Directors, so should all be recommended for re-election or election by shareholders at the AGM.

Directors' Remuneration Report

Introduction

The following remuneration policy is currently in force and is subject to a binding vote every three years. The next vote will take place at the AGM in 2025 and the current policy provisions will continue to apply until that date. The below Directors' Remuneration Report is subject to an annual advisory vote. An ordinary resolution to approve this report will be put to shareholders at the forthcoming AGM.

At the AGM held on 8 March 2022, 98.16% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the remuneration policy were in favour, while 1.84% were against. 216,515 votes were withheld.

At the AGM held on 2 February 2023, 99.80% of the votes cast (including votes cast at the Chairman's discretion) in respect of approval of the Annual Report on Remuneration for the period ended 30 September 2022 were in favour, while 0.20% were against. 249,642 votes were withheld.

Annual Statement from the Chairman of the Committee

I am pleased to present the Directors' Remuneration Report for the year 30 September 2023. During the year, the Committee reviewed the Directors' fees and the outcome of this review can be found on the next page.

Directors' remuneration policy

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

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

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

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

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

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

As at the date of this report, the Company had one part-time employee. In light of the fact that the Company's Board is comprised entirely of non-executive Directors without entitlement to a pension, share scheme, share options or long-term performance incentives, the employee's pay and employment conditions were not taken into account when setting this remuneration policy, nor was the employee consulted in its construction.

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

Directors' Remuneration Report continued

Directors' Remuneration Report

This report sets out how the Directors' remuneration policy was implemented during the year ended 30 September 2023.

Fees paid to Directors

During the year ended 30 September 2023, the Chairman of the Board was paid a fee of £50,000, the Chairman of the Audit, Valuation and Risk Committee was paid £45,000 and the other members of the Board were each paid a fee of £40,000.

The following amounts were paid by the Company to the Directors for services as non-executive Directors in respect of the year ended 30 September 2023 and the previous financial year. The euro equivalent of the Director's fees is disclosed in note 9.

| Director | Fees | | Taxable benefits ¹ | | Annual Total | | Annual percentage change 2023 (%) | Annual percentage change 2022 (%) | Annual percentage change 2021 (%) |
|--------------------------------|----------------|----------------|-------------------------------|--------------|----------------|----------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | 2023 £ | 2022 £ | 2023 £ | 2022 £ | 2023 £ | 2022 £ | | | |
| Sir Julian Berney Bt. | 50,000 | 50,000 | 456 | 1,835 | 50,456 | 51,835 | (2.7) | 29.5 | (2.3) |
| Jonathan Thompson ² | 45,000 | 42,500 | 95 | – | 45,095 | 42,500 | 6.1 | 21.4 | (0.5) |
| Mark Patterson | 40,000 | 40,000 | 644 | 350 | 40,644 | 40,350 | 0.7 | 15.3 | (0.8) |
| Elizabeth Edwards ³ | 40,000 | 40,000 | 535 | 232 | 40,535 | 40,232 | 0.8 | 25.3 | 100 |
| Total | 175,000 | 172,500 | 1,730 | 2,417 | 176,730 | 174,917 | | | |

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

2 An additional £5,000 p.a. payable from 1 April 2022 reflecting his increased responsibilities as Chairman of the Audit, Valuation and Risk Committee.

3 Appointed as a Director on 1 November 2020.

The information in the above table has been audited (see the Independent Auditor's Report on pages 53 to 61).

Consideration of matters relating to Directors' remuneration

Directors' remuneration was last reviewed by the Board and the Nomination and Remuneration Committee in November 2023. The members of the Board and the Nomination and Remuneration Committee at the time that remuneration levels were considered were as set out on pages 38 and 39. Although no external advice was sought in considering the levels of Directors' fees, information on fees paid to Directors of other investment trusts managed by Schroders and peer group companies provided by the Investment Manager and corporate broker was taken into consideration.

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

Expenditure by the Company on remuneration and distributions to shareholders

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

| | Year ended 30 September 2023 (£'000) | Year ended 30 September 2022 (£'000) | Change (%) |
|--|---|---|---------------|
| Remuneration payable to Directors | 175 | 173 | 1 |
| Remuneration payable to part-time employee | 21 | 21 | 0 |
| Dividends paid to shareholders | 6,513 | 21,342 | (69.5) |

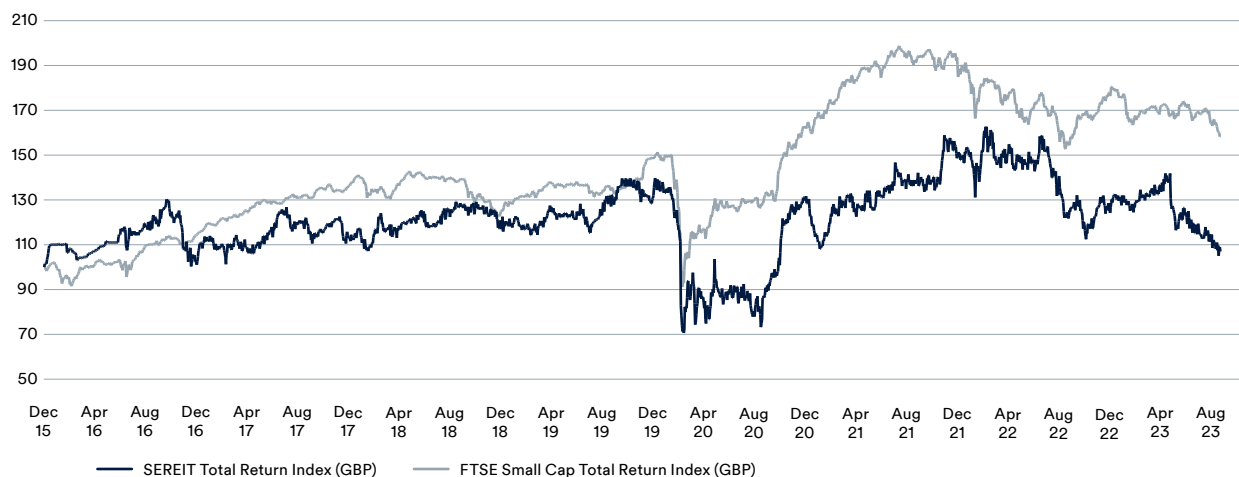
The information in the above table has been audited.

Statement of implementation of remuneration policy in respect of the financial year ending 30 September 2023

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

Share price total return

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



Source: Thomson Reuters Datastream

Directors' share interests

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

| Director | At 30 September 2023 | At 1 October 2022 |
|-----------------------|----------------------------|-------------------------|
| Sir Julian Berney Bt. | 19,840 | 19,840 |
| Jonathan Thompson | 25,469 | 25,469 |
| Mark Patterson | 10,000 | 10,000 |
| Elizabeth Edwards | 10,000 | – |

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

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

On behalf of the Board

Sir Julian Berney Bt.

Chairman

5 December 2023

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and the Company financial statements in accordance with UK-adopted international accounting standards and applicable law. Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

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

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

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

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

Directors' confirmations

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

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

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

On behalf of the Board

Sir Julian Berney Bt.

Chairman

5 December 2023

Independent Auditor's Report to the members of Schroder European Real Estate Investment Trust plc

Opinion

In our opinion:

- Schroder European Real Estate Investment Trust plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2023 and of the group's loss and the parent company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with UK adopted international accounting standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Schroder European Real Estate Investment Trust plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 September 2023 which comprise:

| Group | Parent company |
|---|---|
| Consolidated statement of financial position as at 30 September 2023 | Statement of financial position as at 30 September 2023 |
| Consolidated statement of comprehensive income for the year then ended | Statement of comprehensive income for the year then ended |
| Consolidated statement of changes in equity for the year then ended | Statement of changes in equity for the year then ended |
| Consolidated statement of cash flows for the year then ended | Statement of cash flows for the year then ended |
| Related notes 1 to 28 to the financial statements, including a summary of significant accounting policies | Related notes 1 to 28 to the financial statements, including a summary of significant accounting policies |

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's 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 are independent of the group and parent in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.

Independent Auditor’s Report to the members of Schroder European Real Estate Investment Trust plc continued

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors’ assessment of the group and parent company’s ability to continue to adopt the going concern basis of accounting included:

- obtaining an understanding of the Director’s going concern assessment process including engaging with the Investment Manager to understand the process they followed in supporting the going concern assessment prepared by the Directors;
- reviewing the cash flow forecasts which support the Directors’ assessment of going concern and challenging the sensitivities and assumptions used in the forecasts and evaluating the impact of these forecasts on the Group’s ability to continue to meet financial covenants and financial commitments as they fall due;
- challenging the stress testing performed and validating the static data assumptions used by the Investment Manager by agreement to supporting documentation;
- recalculating the debt covenants on external loans to validate compliance for the year ended 30 September 2023;
- holding discussions with the Audit Committee and the Investment Manager to determine whether, in their opinion, there is any material uncertainty regarding the Group’s ability to pay liabilities and commitments as they fall due and challenging this assessment through our audit procedures in relation to the liquidity assessment;
- confirmed whether any subsequent events identified are adjusting or non-adjusting post balance sheet events and ensured the requisite disclosures are included in the Annual Report and Accounts; and
- assessing the disclosures in the Annual Report and Financial Statements relating to going concern to ensure they were fair, balanced and understandable and in compliance with IFRS.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company’s ability to continue as a going concern for a period to 31 December 2024.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group’s ability to continue as a going concern.

Overview of our audit approach

| | |
|-------------------|--|
| Audit scope | – We have audited the financial statements of the Group for the year ended 30 September 2023. |
| Key audit matters | – Risk of incomplete or inaccurate rental revenue recognition and related year-end receivable; – Risk of misstatement in the fair value of directly and indirectly held investment property portfolios; and – Risk of incorrect impairment assessment of investments in and loans to subsidiaries (parent company only). |
| Materiality | – Overall group materiality of €1.7m which represents 1% of Total Equity. |

An overview of the scope of the parent company and group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment, the potential impact of climate change and other factors when assessing the level of work to be performed.

Involvement with component teams

All audit work performed for the purposes of the audit was undertaken by the Group audit team.

Climate change

Stakeholders are increasingly interested in how climate change will impact the Group. The Group has determined that the most significant future impacts from climate change are explained on page 99 in the Task Force for Climate related Financial Disclosures and on page 33 in the principal risks and uncertainties. They have also explained their climate commitments on page 24. All of these disclosures form part of the “Other information,” rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on “Other information”.

In planning and performing our audit we assessed the potential impacts of climate change on the Group’s business and any consequential material impact on its financial statements.

The group has explained in note 13 how they have reflected the impact of climate change in their financial statements. Our audit effort in considering the impact of climate change on the financial statements was focused on the adequacy of the disclosures in the Financial Statements and the conclusion that there was no further impact of climate change to be taken into account as the investment properties are valued at fair value based on open market valuations as described in Note 13.

The open market valuation assessment includes consideration of environmental matters and the condition of each property with detail on the fair value of properties provided within the notes to the financial statements. We performed our own risk assessment to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also challenged the Directors’ considerations of climate change risks in their assessment of going concern and viability and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Independent Auditor’s Report to the members of Schroder European Real Estate Investment Trust plc continued

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our 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) that we identified. These matters included 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 were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

| Risk | Our response to the risk | Key observations communicated to the Audit Committee |
|--|---|---|
| <p>Risk of misstatement in the fair value of directly and indirectly held investment property portfolios</p> <p><i>Refer to the Audit, Valuation and Risk Committee Report (page 44); Accounting policies (page 70); and Note 13 of the Consolidated Financial Statements (page 79)</i></p> <p><i>The Group’s investment property portfolio consists of European properties held directly and through joint ventures with a combined fair value of € 213.1m.</i></p> <p><i>The Group’s accounting policy is for the fair value of the investment properties to be determined by independent real estate valuation experts using recognised valuation techniques. The fair values are based on recent real estate transactions with similar characteristics and locations to those of the Group’s assets. The Group’s accounting policy is for the valuation of investment properties to be reduced by the total of the unamortised lease incentive balances.</i></p> <p><i>There is a risk of incorrect valuation of the property portfolio which could result in the Consolidated Statement of Financial Position and the Consolidated Statement of Comprehensive Income being materially misstated.</i></p> | <p>We have:</p> <ul style="list-style-type: none"> – obtained an understanding of the process and controls for property valuation by performing our walkthrough procedures and evaluating the implementation and design effectiveness of controls. – assessed the independence and competence of the independent valuers as required by auditing standards. – read the valuation reports provided by the Company’s independent valuers to agree the appropriateness and suitability of the reported values and the changes in value from the previous accounting period. – engaged our EY property valuation specialists to perform a review of all property valuations to assess whether the reported value moved within a range of reasonable outcomes, which included: <ul style="list-style-type: none"> – validating the assumptions used by the independent valuers in undertaking their valuation and assessment of the valuation methodologies adopted; – challenging the key inputs and assumptions relating to equivalent yield and rental rates with reference to published market data and comparable transaction evidence through market activity; and – assessing the appropriateness of market related inputs and reasonableness of valuation methods, by comparing against our own market data and understanding of the property market. – performed analytical review procedures across the portfolio of investments, focusing on correlations with market data and any significant movements. – on a sample basis, with respect to key objective inputs to the valuation, comprising rental income and length of lease, agreed the inputs to lease agreements or rent review schedules. – verified that the fair values derived by the Company’s independent valuers for the entire portfolio are correctly included in the consolidated financial statements. – assessed the adequacy of the additional disclosures of estimates and valuation assumptions disclosed in the notes are made in accordance with IFRS13 – Fair Value Measurement. | <p>Based on the work performed we have no matters to report to the Audit Committee.</p> |

| Risk | Our response to the risk | Key observations communicated to the Audit Committee |
|---|--|---|
| <p>Risk of incomplete or inaccurate rental revenue recognition and related year-end receivable</p> <p><i>Refer to the Audit, Valuation and Risk Committee Report (page 44); Accounting policies (page 72); and Note 3 of the Consolidated Financial Statements (page 74)</i></p> <p><i>Revenue is earned in the form of rental income from the investment properties and is recognised on an accrual basis.</i></p> <p><i>The recoverability of year-end receivables is based on a number of judgments and estimates.</i></p> <p><i>There is a risk of incomplete or inaccurate rental revenue recognition and related year-end receivables through failure to recognise proper income entitlements or to apply the appropriate accounting treatment.</i></p> | <p>We have:</p> <ul style="list-style-type: none"> – obtained an understanding of the process and controls for each revenue stream by performing our walkthrough procedures and evaluating the implementation and design effectiveness of controls; – performed substantive analytical review procedures over rental revenue for each property. We formed an expectation of the rental income for each property, and compared this expectation to the actual revenue recognised during the year; – agreed a sample of rental rates to tenancy agreements and recalculated rental revenue earned by the property for the period; – recalculated a sample of lease incentives based on the terms within the lease agreement to assess the appropriateness of the amount recorded; including, on a sample basis, verifying lease modifications through agreement of the updated terms to amended and restated lease agreements and performing an independent assessment as to whether they have been appropriately treated in accordance with IFRS16 – Leases ('IFRS16'); – assessed the recoverability of the overdue rent receivables, and challenging the judgments involved. For a sample of tenants, we inspected the cash receipt subsequent to the year-end date; and – tested a sample of rental revenue journals to identify unauthorised or inappropriate journals to address the risk of management override. We enquired as to the nature of each transaction sampled and obtained corroborating evidence to conclude on whether the journals were reasonable and in line with our expectations. We selected journals by applying criteria and thresholds based on our professional judgment. | <p>Based on the work performed we have no matters to report to the Audit Committee.</p> |
| <p>Risk of incorrect impairment assessment of investments in and loans to subsidiaries (parent company only)</p> <p><i>There is a risk that an Impairment loss in either the investment in or loan to subsidiaries is not correctly recognised.</i></p> <p><i>IAS36 Impairment of Assets states that “the carrying amounts of the Company’s non-financial assets are reviewed annually irrespective of whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount and an impairment loss is recognised in the statement of comprehensive income.”.</i></p> | <p>We have:</p> <ul style="list-style-type: none"> – challenged management’s year-end impairment assessment for investments in subsidiaries, ensuring that it meets the requirements of IAS36; – reviewed the intercompany loan agreements in place; – calculated the expected interest expense on intercompany loans due to the parent company and comparing to the amount recorded; and – where a loan has been drawdown or repaid in the year, we reviewed the relevant drawdown or repayment notice and agreed the amount to bank statements. | <p>Based on the work performed we have no matters to report to the Audit Committee.</p> |

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

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be €1.7 million, which is 1% of equity. We believe that equity provides us with a materiality aligned to the key measurement of the Group's performance.

We determined materiality for the Parent Company to be €1.5 million, which is 1% of equity.

During the course of our audit, we reassessed initial materiality based on equity as at 30 September 2023 and adjusted our audit procedures accordingly.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely €0.9m. We have set performance materiality at this percentage due to this being the first year EY are performing the audit.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of €0.09m, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual set out on pages 1 to 52 and 92 to 127, including Strategic report, Governance Report and Other information (unaudited), other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Corporate Governance Statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate;
- Director's statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities;
- Directors' statement on fair, balanced and understandable;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems; and
- The section describing the work of the audit committee.

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 52, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 and parent 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 parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

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

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are the Companies Act 2006, the UK Corporate Governance Code, The 2019 AIC Code of Corporate Governance, and the Listing Rules of the UK Listing Authority;
- We understood how the Group is complying with those frameworks by making enquiries of the Investment Manager, the Administrator and those charged with governance regarding:
 - their knowledge of any non-compliance or potential non-compliance with laws and regulations that could affect the financial statements;
 - the Group's methods of enforcing and monitoring compliance with such policies
 - the Investment Manager's process for identifying and responding to fraud risks, including programs and controls the Group has established to address risks identified by the Group, or that otherwise prevent, deter and detect fraud; and
 - how the Group monitors those programs and controls.

- We assessed the susceptibility of the group’s financial statements to material misstatement, including how fraud might occur by:
 - obtaining an understanding of entity-level controls and considering the influence of the control environment;
 - obtaining the Group’s assessment of fraud risks including an understanding of the nature, extent and frequency of such assessment documented in the Group’s Risk Matrix;
 - making inquiries with those charged with governance, the Investment Manager, the Company Secretary and Administrator as to how they exercise oversight of identifying and responding to fraud risks and the controls established to mitigate specifically those risks the entity has identified, or that otherwise help to prevent, deter and detect fraud;
 - making inquiries of the Investment Manager and those charged with governance regarding how they identify related parties; and
 - making inquiries of the Investment Manager, the Company Secretary, Administrator and those charged with governance regarding their knowledge of any actual or suspected fraud or allegations of fraudulent financial reporting affecting the Group.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations Our procedures involved:
 - Gaining an understanding of how those charged with governance the Company Secretary and Administrator and the Investment Manager identify instances of non-compliance by the Group with relevant laws and regulations;
 - Inspecting the relevant policies, processes and procedures;
 - Reviewing Board minutes and internal compliance reporting;
 - Inspecting correspondence with regulators;
 - Obtaining relevant written representations from the Board of Directors; and
 - Performing tests of journal entries, focusing on unusual transactions, manual journals and journals posted around the year end date;

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor’s report.

Other matters we are required to address

- Following the recommendation from the audit committee, we were appointed by the company on 18 May 2023 to audit the financial statements for the year ending 30 September 2023 and subsequent financial periods.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Denise Davidson (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
London

5 December 2023

Financial Statements

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Consolidated and Company Statements of Comprehensive Income

For the year ended 30 September 2023

| | Note | Group year to 30/09/23 €'000 | Group year to 30/09/22 €'000 | Company year to 30/09/23 €'000 | Company year to 30/09/22 €'000 |
|--|------|---------------------------------------|---------------------------------------|---|---|
| Rental and service charge income | 3 | 19,666 | 18,153 | – | – |
| Property operating expenses | 4 | (5,398) | (5,516) | – | – |
| Net rental and related income | | 14,268 | 12,637 | – | – |
| Net gain/(loss) from fair value adjustment on investment property | 13 | (19,726) | 6,351 | – | – |
| Development revenue | 14 | 405 | 17,942 | – | – |
| Development expense | 14 | 1,133 | (15,436) | – | – |
| Realised gain/(loss) on foreign exchange | | (12) | 77 | (12) | 77 |
| Net change in fair value of financial instruments at fair value through profit or loss | | (260) | 921 | – | – |
| Management fee income | 5 | – | – | 1,503 | 1,623 |
| Provision on loan receivable from joint venture | 6 | – | (444) | – | – |
| Dividends received | 8,16 | – | – | 509 | 1,100 |
| Expenses | | | | | |
| Investment management fee | 5 | (1,981) | (2,198) | (1,981) | (2,198) |
| Valuer's and other professional fees | | (788) | (981) | (347) | (495) |
| Administrator's and accounting fees | | (566) | (453) | (120) | (128) |
| Auditor's remuneration and assurance fees | 7 | (335) | (333) | (324) | (313) |
| Directors' fees | 9 | (232) | (217) | (232) | (217) |
| Other expenses | 9 | (442) | (613) | (313) | (312) |
| Total expenses | | (4,344) | (4,795) | (3,317) | (3,663) |
| Operating (loss)/profit | | (8,536) | 17,253 | (1,317) | (863) |
| Finance income | | 228 | 451 | 2,086 | 1,851 |
| Finance costs | | (1,714) | (1,128) | – | (6) |
| Net finance (costs)/income | | (1,486) | (677) | 2,086 | 1,845 |
| Share of loss from joint venture | 16 | – | – | – | – |
| (Loss)/Profit before taxation | | (10,022) | 16,576 | 769 | 982 |
| Taxation | 10 | 640 | (2,585) | – | (242) |
| (Loss)/Profit for the year | | (9,382) | 13,991 | 769 | 740 |
| Other comprehensive (loss)/income: | | | | | |
| <i>Other comprehensive (loss)/income items that may be reclassified to profit or loss:</i> | | | | | |
| Currency translation differences | | – | (73) | – | (73) |
| Total other comprehensive (loss)/profit | | – | (73) | – | (73) |
| Total comprehensive (loss)/income for the year | | (9,382) | 13,918 | 769 | 667 |
| Basic and diluted earnings per share attributable to owners of the parent | 11 | (7.0)c | 10.4c | – | – |

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

Consolidated and Company Statements of Financial Position

As at 30 September 2023

| | Note | Group 30/09/23 €'000 | Group 30/09/22 €'000 | Company 30/09/23 €'000 | Restated (as per note 1) Company 30/09/22 €'000 |
|---|------|----------------------------|----------------------------|------------------------------|---|
| Assets | | | | | |
| Non-current assets | | | | | |
| Investment property | 13 | 213,098 | 217,456 | – | – |
| Investment in subsidiaries | 15 | – | – | 69,921 | 61,386 |
| Investment in joint venture | 16 | – | – | – | – |
| Receivables from subsidiaries | 1 | – | – | 65,174 | 69,501 |
| Loans to joint ventures | 6,16 | – | – | – | – |
| Non-current assets | | 213,098 | 217,456 | 135,095 | 130,887 |
| Current assets | | | | | |
| Trade and other receivables | 17 | 8,897 | 16,680 | 1,285 | 16,200 |
| Interest rate derivative contracts | | 674 | 934 | – | – |
| Cash and cash equivalents | | 32,445 | 34,324 | 13,548 | 10,039 |
| Current assets | | 42,016 | 51,938 | 14,833 | 26,239 |
| Total assets | | 255,114 | 269,394 | 149,928 | 157,126 |
| Equity | | | | | |
| Share capital | 18 | 17,966 | 17,966 | 17,966 | 17,966 |
| Share premium | 18 | 43,005 | 43,005 | 43,005 | 43,005 |
| Retained earnings/(accumulated losses) | | (6,142) | 10,662 | (28,818) | (22,165) |
| Other reserves | | 116,610 | 116,610 | 116,843 | 116,843 |
| Total equity | | 171,439 | 188,243 | 148,996 | 155,649 |
| Liabilities | | | | | |
| Non-current liabilities | | | | | |
| Interest-bearing loans and borrowings | 19 | 65,023 | 41,794 | – | – |
| Deferred tax liability | 10 | 4,225 | 5,124 | – | – |
| Non-current liabilities | | 69,248 | 46,918 | – | – |
| Current liabilities | | | | | |
| Interest-bearing loans and borrowings | 19 | 8,600 | 26,950 | – | – |
| Trade and other payables | 20 | 4,856 | 5,857 | 932 | 1,477 |
| Current tax liabilities | 10 | 971 | 1,426 | – | – |
| Current liabilities | | 14,427 | 34,233 | 932 | 1,477 |
| Total liabilities | | 83,675 | 81,151 | 932 | 1,477 |
| Total equity and liabilities | | 255,114 | 269,394 | 148,928 | 157,126 |
| Net asset value per ordinary share | 21 | 128.2 | 140.8c | 111.4 | 116.4c |

The financial statements on pages 64 to 67 were approved at a meeting of the Board of Directors held on 5 December 2023 and signed on its behalf by:

Sir Julian Berney Bt.
Chairman

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

Registered in England and Wales as a public company limited by shares.

Company registration number: 09382477

Consolidated and Company Statements of Changes in Equity

For the year ended 30 September 2023

| Group | Note | Share capital €'000 | Share premium €'000 | (Accumulated losses)/ Retained earnings €'000 | Other reserves €'000 | Total equity €'000 |
|--|------|------------------------|------------------------|---|-------------------------|-----------------------|
| Balance as at 1 October 2021 | | 17,966 | 43,005 | 21,878 | 116,683 | 199,532 |
| Profit for the year | | – | – | 13,991 | – | 13,991 |
| Other comprehensive loss for the year | | – | – | – | (73) | (73) |
| Dividends paid | 12 | – | – | (25,207) | – | (25,207) |
| Balance as at 30 September 2022 | | 17,966 | 43,005 | 10,662 | 116,610 | 188,243 |
| Loss for the year | | – | – | (9,382) | – | (9,382) |
| Other comprehensive income/(loss) for the year | | – | – | – | – | – |
| Dividends paid | 12 | – | – | (7,422) | – | (7,422) |
| Balance as at 30 September 2023 | | 17,966 | 43,005 | (6,142) | 116,610 | 171,439 |

| Company | Note | Share capital €'000 | Share premium €'000 | (Accumulated losses)/ Retained earnings ¹ €'000 | Other reserves ¹ €'000 | Total equity €'000 |
|--|------|------------------------|------------------------|--|--------------------------------------|-----------------------|
| Balance as at 1 October 2021 | | 17,966 | 43,005 | 2,302 | 116,916 | 180,189 |
| Profit for the year | | – | – | 740 | – | 740 |
| Other comprehensive loss for the year | | – | – | – | (73) | (73) |
| Dividends paid | 12 | – | – | (25,207) | – | (25,207) |
| Balance as at 30 September 2022 | | 17,966 | 43,005 | (22,165) | 116,843 | 155,649 |
| Profit for the year | | – | – | 769 | – | 769 |
| Other comprehensive income/(loss) for the year | | – | – | – | – | – |
| Dividends paid | 12 | – | – | (7,422) | – | (7,422) |
| Balance as at 30 September 2023 | | 17,966 | 43,005 | (28,818) | 116,843 | 148,996 |

1 These reserves form the distributable reserves of the Company (excluding any accumulated, unrealised profits) and may be used to fund distribution of profits to investors via dividend payments. Total distributable reserves amounts to €88.0 million (2022: €94.8 million). See note 1 for further detail.

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

Consolidated and Company Statements of Cash Flows

For the year ended 30 September 2023

| Note | Group 30/09/23 €'000 | Group 30/09/22 €'000 | Company 30/09/23 €'000 | Company 30/09/22 €'000 |
|--|----------------------------|----------------------------|------------------------------|------------------------------|
| Operating activities | | | | |
| (Loss)/Profit before tax for the year | (10,022) | 16,576 | 769 | 982 |
| Adjustments for: | | | | |
| Net loss/(gain) from fair value adjustment on investment property | 13 | 19,726 | – | – |
| Realised foreign exchange gain/(loss) | 12 | (77) | 12 | (77) |
| Provision of loan made to Seville joint venture | 6 | – | 444 | – |
| Finance income | (228) | (451) | (2,087) | (1,852) |
| Finance costs | 1,714 | 1,128 | – | 6 |
| Net change in fair value of financial instruments through profit or loss | 260 | (921) | – | – |
| Dividend income classified as investing cash flows | – | – | (509) | – |
| Operating cash generated from/(used in) before changes in working capital | 11,462 | 10,348 | (1,815) | (941) |
| Decrease/(increase) in trade and other receivables | 7,564 | 958 | 370 | 616 |
| Increase/(decrease) in trade and other payables | (1,071) | 324 | (450) | 157 |
| Cash generated from/(used in) operations | 17,955 | 11,630 | (1,895) | (168) |
| Finance costs paid | (1,573) | (897) | – | – |
| Finance income received | 228 | 8 | 397 | 1,042 |
| Tax (paid)/received | (714) | (469) | – | (242) |
| Net cash generated from/(used in) operating activities | 15,896 | 10,272 | (1,498) | 632 |
| Investing activities | | | | |
| Proceeds from sale of investment property | 14 | – | 16,900 | – |
| Acquisition of investment property | 13 | (11,167) | (10,824) | – |
| Additions to investment property | 13 | (3,984) | (698) | – |
| Loans to subsidiary companies | – | – | (1,459) | (9,585) |
| Loan repayment from subsidiary company | – | – | 19,000 | 10,310 |
| Investment in subsidiary | 16 | – | (5,400) | – |
| Dividends received | – | – | 300 | – |
| Net cash generated from/(used in) investing activities | (15,151) | 5,378 | 12,441 | 725 |
| Financing activities | | | | |
| Repayment of loan facility drawdown | – | (1,840) | – | – |
| Proceeds from borrowings | 19,20 | 31,760 | – | – |
| Repayment of borrowings | 19,20 | (26,950) | – | – |
| Interest paid | – | – | – | (6) |
| Dividends paid | 12 | (7,422) | (7,422) | (25,207) |
| Net cash used in financing activities | (2,612) | (27,047) | (7,422) | (25,213) |
| Net (decrease)/increase in cash and cash equivalents for the year | (1,867) | (11,397) | 3,521 | (23,856) |
| Opening cash and cash equivalents | 34,324 | 45,717 | 10,039 | 33,891 |
| Effects of exchange rate change on cash | (12) | 4 | (12) | 4 |
| Closing cash and cash equivalents | 32,445 | 34,324 | 13,548 | 10,039 |

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

Notes to the Financial Statements

1. Significant accounting policies

Schroder European Real Estate Investment Trust plc (the 'Company') is a closed-ended investment company incorporated in the United Kingdom. The consolidated financial statements of the Company for the year ended 30 September 2023 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 Johannesburg Stock Exchange Limited (secondary listing). The registered office of the Company is 1 London Wall Place, London, England EC2Y 5AU.

Statement of compliance

The consolidated financial statements of the Group and Company financial statements have been prepared under the UK-adopted 'International Accounting Standards 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 and JSE Listing Authority.

Basis of preparation

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

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

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

Going concern

The Directors have examined significant areas of possible financial risk including: the ability to refinance certain third-party loans in 2024 with due consideration to current loan market conditions, cash held and the liquidity of the Group's assets; forward-looking compliance with third-party debt covenants, in particular the loan to value ('LTV') covenant and interest cover ratios; the likelihood of any payment of contingent tax liabilities; potential falls in property valuations; the non-collection of rent and service charges; and the existing, and future, anticipated cash requirements of the Group.

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

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

The Group has six loans secured by individual assets, with no cross-collateralisation. Other than Seville, whereby there is a cash trap in operation and a LTV breach, all loans are in compliance with their debt covenants. More details of the individual loans, and headroom on the LTV and net income default covenants, is provided on page 18.

Excluding Seville, for which the Group has already written its investment fully down to nil, there are two loans that fall due for repayment in 2024 totalling €25.6 million. Although the Group has already commenced constructive and positive discussions with third party-lenders for both loans, the Group has considered in its plausible downside scenario whereby refinancing is not achieved, and therefore both loans need to be paid out of cash reserves with there being sufficient cash to do so if required.

After due consideration, the Directors have not identified any material uncertainties which would cast significant doubt on the Group's ability to continue as a going concern for a period of not less than 12 months from the date of the approval of the consolidated annual report and financial statements, which would be 31 December 2024.

The Directors have satisfied themselves that the Group has adequate resources to continue in operational existence for the foreseeable future.

Use of estimates and judgements

The preparation of financial statements under the UK adopted international accounting standards, in conformity with the Companies Act 2006, requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The most significant estimates made in preparing these financial statements relate to the carrying value of investment properties, as disclosed in note 13, including those investment properties within joint ventures, which are stated at fair value. The fair value of investment property is inherently subjective because, in the absence of readily-observable market data, the valuer has to make professional judgements on valuation inputs. The Group uses an external professional valuer to determine the relevant amounts.

The following are deemed to be the other key areas of judgement:

- Accounting for development revenue and variable consideration regarding Paris, Boulogne-Billancourt: When estimating an appropriate level of development revenue to be recognised in the reporting period, the Group considered the contractual penalties of not meeting certain criteria within the agreement; the total development costs incurred; the stage of completion of the refurbishment; the milestones achieved and still to be achieved; the timing of further future cash receipts from the purchaser; and the overall general development risk to form a considered judgement of revenue to be appropriately recognised in the financial statements. Further details of the judgement are disclosed in note 14.
- Tax provisioning and disclosure: Management uses external tax advisers to monitor changes in tax laws in countries where the Group has operations. New tax laws that have been substantively enacted are recognised in the Group's and Company's financial statements. Where changes to tax laws give rise to a potential contingent liability, the Group discloses the estimated amounts appropriately within the notes to the financial statements (further details are disclosed in note 10).
- IFRS 9 expected credit losses: All receivables, inter-company and joint venture loans are considered to be such financial assets and must therefore be assessed for an impairment using the forward looking expected credit loss model. Where any impairment is required to be made, appropriate recognition is required in the consolidated statement of comprehensive income, together with appropriate disclosure and sensitivity analysis in the notes to the financial statements (further details are disclosed in note 6). The Seville joint venture loan has been Level 3 calculated on the lifetime expected credit loss method. The following factors were considered when determining the probability of default used for the impairment provision calculation for the Seville joint venture loan: the property valuation and future potential movements; that there is an LTV breach and a cash trap in place; cash flow forecasts; the longer-term effects of the prior lockdown measures in Spain on tenants and their trading; and rent collection rates. An evaluation of these factors has allowed management to determine that the loan is a Level 3 impairment and is deemed not recoverable. These judgements were also considered within the impairment in the investments held in subsidiaries for the parent company.

Notes to the Financial Statements continued

1. Significant accounting policies continued

Basis of consolidation

Subsidiaries

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

Transactions eliminated on consolidation

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

Joint arrangements

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

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

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

Investment property

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

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

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

As disclosed in note 23, the Group leases out all owned properties on operating leases which are classified and accounted for as an investment property where the Group holds it to earn rentals, capital appreciation, or both. Any such property leased under an operating lease is classified as an investment property and carried at fair value.

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

Prepayments

Prepayments are carried at cost less any accumulated impairment losses.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Rental income, including prepayments, received under operating leases (net of any incentives granted by the lessor) are recognised in the statement of comprehensive income on a straight-line basis over the period of the lease. Properties leased out under operating leases are included as investment properties in the consolidated statement of financial position (note 13).

Financial assets and liabilities

Non-derivative financial assets and liabilities

Non-derivative financial assets are measured at amortised cost less impairment whereas financial liabilities are measured at amortised cost. The Group calculates impairment provisions for non-derivative financial assets based on lifetime expected credit losses under the IFRS 9 simplified approach.

Cash and cash equivalents

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

Loans and borrowings

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

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

Derivative financial assets and liabilities

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

Share capital

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

Share premium

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

Other reserves

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

Notes to the Financial Statements continued

1. Significant accounting policies continued

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

Other financial assets

The carrying amounts of the Group's and Company's other financial assets, including joint ventures and investments held in subsidiaries, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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

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

Revenue

Rental income

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

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

Service charges

These include income in relation to service charges, directly recoverable expenditure and management fees. Revenue from services is recognised over time, as services are rendered as there is a transfer of control of these services over time when services are rendered by third party service providers.

Finance income and costs

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

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

Expenses

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

Taxation

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

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

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted, or substantially enacted, by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Segmental reporting

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

Foreign currency translation

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

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

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the statement of comprehensive income.

Monetary assets and liabilities are translated into the functional currency. Foreign exchange differences arising on translation to the presentation currency are taken to the consolidated statement of comprehensive income.

Prior period restatement

Prior period restatement had been classified as current assets in the Company's own Balance Sheet. This included instances where intra-group loan maturity dates were greater than twelve months post the financial year end. Movements in intra-group loan balances are driven by transactional activity, loan refinancings and cash repatriation and repayments have been at the discretion of the Investment Manager and as market conditions allow.

As per IAS 1, a number of intra-group loans for the Company should have been recorded as non-current assets. Intra-group loans which mature within twelve months of the Balance Sheet date, or where there is a clear and reasonable expectation of repayment within the next twelve months, should be classified as current assets with all other loans being classified as non-current.

For the prior year ended 30 September 2022, a sum of €69,501,000 of inter-company loans and accrued interest receivable, owed by the Company's subsidiaries, has been reclassified from trade and other receivables within current assets to receivables from subsidiaries within non-current assets in the restated Balance Sheet at Company level.

The above prior period restatement is at Company level only and has had no impact on the net asset value, nor wider financial position and performance, of the SEREIT Group itself.

Notes to the Financial Statements continued

2. New standards and interpretations

New standards and interpretations adopted by the Group

There are no new standards or amendments which have been applied for the first time for its annual reporting period commencing 1 October 2022.

3. Rental and service charge income

| | Group 30/09/2023 €'000 | Group 30/09/2022 €'000 | Company 30/09/2023 €'000 | Company 30/09/2022 €'000 |
|-----------------------|------------------------------|------------------------------|--------------------------------|--------------------------------|
| Rental income | 15,555 | 14,528 | – | – |
| Service charge income | 4,111 | 3,625 | – | – |
| | 19,666 | 18,153 | – | – |

Service charge income is charged in addition to rent payments to cover the landlord's costs. Factors such as the size of the asset, number of occupants, occupancy rates and purpose of the asset can affect the amount and timing of revenue and cash flows.

The Group has concluded that it transfers control of these services over time, as services are rendered by the third party service providers, because this is when tenants receive and, at the same time, consume the benefits from these services.

The service charge receivable amounts to €3,086,000 (2022: €1,455,000). Payment of service charge income from tenants is impacted by the timing of service charge reconciliations by property managers.

4. Property operating expenses

| | Group 30/09/2023 €'000 | Group 30/09/2022 €'000 | Company 30/09/2023 €'000 | Company 30/09/2022 €'000 |
|---|------------------------------|------------------------------|--------------------------------|--------------------------------|
| Repairs and maintenance | 2,932 | 2,229 | – | – |
| Service charge, insurance and utilities on vacant units | 456 | 1,427 | – | – |
| Real estate taxes | 1,410 | 1,326 | – | – |
| Property management fees | 376 | 285 | – | – |
| Other | 224 | 249 | – | – |
| | 5,398 | 5,516 | – | – |

All the above amounts relate to either service charge or property operating expenses which are recoverable except for €1,382,000 (2022: €1,174,000).

5. Material agreements

Schroder Real Estate Investment Management Limited ('SREIM') is the Investment Manager to the Company. The Investment Manager is entitled to a fee together with reasonable expenses incurred in the performance of its duties. The fee is payable monthly in arrears and shall be an amount equal to one 12th of the aggregate of 1.1% of the EPRA NAV of the Group. The Investment Management Agreement can be terminated by either party on not less than 12 months' written notice, such notice not to expire earlier than the third anniversary of admission, or on immediate notice in the event of certain breaches of its terms or the insolvency of either party. The total charge to profit and loss during the year was €1,981,000 (2022: €2,198,000). At the year end €626,000 (2022: €717,000) was outstanding.

SREIM provides accounting services to the Group with a minimum contracted annual charge of €81,000 (£70,000). The total charge to the Group was €104,000 (2022: €112,000). These are included in administrator's and accounting fees in the consolidated statement of comprehensive income. At the year end €35,000 (2022: €35,000) was outstanding.

SREIM provides administrative and company secretarial services to the Group with a contracted annual charge of €58,000 (£50,000). The total charge to the Group was €58,000 (2022: €58,000). These are included in administrator's and accounting fees in the consolidated statement of comprehensive income. At the year end €19,000 (2022: €19,000) was outstanding.

Details of Directors' fees are disclosed in note 9.

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

The Company received management fees of €1,503,000 (2022: €1,623,000) from subsidiary companies during the year. The amounts recharged to subsidiaries and outstanding are provided in the following table.

| Subsidiary | Fees recharged in the year to 30 September €'000 | | Fees outstanding as at 30 September €'000 | |
|---------------------------|--|--------------|---|------------|
| | 2023 | 2022 | 2023 | 2022 |
| SCI SREIT Rumilly | 53 | 58 | 24 | 29 |
| SAS Clarity Developpement | 386 | 428 | 187 | 212 |
| SREIT Berlin DIY Sàrl | 153 | 172 | 74 | 86 |
| SREIT Hamburg Sàrl | 120 | 138 | 57 | 70 |
| SREIT Stuttgart Sàrl | 104 | 119 | 48 | 60 |
| SREIT Frankfurt Sàrl | 58 | 63 | 27 | 32 |
| SCI SREIT Directoire | 194 | 228 | 141 | 113 |
| SREIT Apeldoorn Sàrl | 79 | 95 | 38 | 47 |
| SREIT UV Sàrl | 125 | 132 | 62 | 66 |
| SREIT Alkmaar Sàrl | 42 | – | 28 | – |
| SCI SREIT Pleudihen | 100 | 114 | 72 | 58 |
| SCI SREIT Nantes | 31 | 33 | 15 | 18 |
| SCI LC Invest | 38 | 23 | 18 | 23 |
| SREIT Holdings S.a.r.l | 20 | 20 | 10 | 11 |
| Total | 1,503 | 1,623 | 801 | 825 |

Notes to the Financial Statements continued

6. Provision of loan made to Seville joint venture

As at 30 September 2023 the Group owned 50% of the Metromar Joint Venture, which owns a shopping centre in Seville, and had advanced €10,000,000 as a loan and was owed interest of €1,941,000 (2022: €1,544,000). The loan carries a fixed interest rate of 4.37% per annum payable quarterly and matures in April 2024.

When considering an appropriate level of impairment, the Group primarily considered: the current market liquidity, and achievable market price, for such an asset; the property valuation and future potential movements; debt covenant breaches; cash flow forecasts; the tenants' trading levels; vacancy rates; and the rent collection rates of the asset.

The impairment provision booked during the year was €Nil as the loan and interest is now considered a stage 3 impairment (2022: €444,000) bringing the cumulative impairment to €11,537,000 and the Group's investment with regard to Seville now stands at €Nil (2022: €Nil).

No further interest income was recognised in the consolidated financial statements in the year to 30 September 2023 as the loan and interest is now considered a stage 3 impairment and therefore a Loss Given Default rate of 100% has been applied. Hence, cumulative interest receivable recognised in the consolidated financial statements previously and subsequently impaired amounts to €1,544,000.

Furthermore, Management has separately assessed that if a sale were to be achieved at the current fair value of the property of €25 million then, all else being equal, the Group could reverse c.€800,000 of the previously recognised impairment, noting that such an outcome is deemed to be highly unlikely as at the financial year end. The sensitivity of potential impairment reversals, based on potential exit prices, is shown in the table below:

| | -10% | 0% | +10% |
|---|------------|------------|------------|
| Valuation of Metromar, Seville property | 22,500,000 | 25,000,000 | 27,500,000 |
| Potential future impairment reversal | – | 800,000 | 2,050,000 |

Underlyingly, and as set out in the above, the Investment Manager does not believe at the current time that ultimately a sale price will be achieved above the carrying value of the third-party debt and thus there has been no reversal of prior impairments in the current financial year.

7. Auditor's remuneration and assurance fees

The Group's total audit fees for the year are €330,000 (2022: €330,000) which includes the Group audit and the individual statutory audits. The Company's total audit fees for the year were €239,000 (2022: €289,000) which only covers the Group audit.

The interim review fee was €51,000 (2022: €51,500) which is an assurance related non-audit service and is included in the total auditor's remuneration for the year. The auditor did not perform any other non-audit services for the Group during the year (2022: €Nil).

8. Dividends received

During the year the Group did not receive any dividends from its joint venture operation Urban SEREIT Holdings Spain S.L. (2022: €Nil) (see note 15).

During the year the Company received dividends from its subsidiary undertakings. €300,000 (2022: €1,100,000) from OPPCI SEREIT France and €209,000 (2022: €Nil) was received from SEREIT Holdings France.

9. Other expenses

| | Group 30/09/2023 €'000 | Group 30/09/2022 €'000 | Company 30/09/2023 €'000 | Company 30/09/2022 €'000 |
|--|------------------------------|------------------------------|--------------------------------|--------------------------------|
| Directors' and officers' insurance premium | 14 | 20 | 14 | 20 |
| Bank charges | 114 | 156 | 27 | 28 |
| Regulatory costs | 89 | 72 | 66 | 53 |
| Marketing | 57 | 59 | 60 | 59 |
| Other expenses | 167 | 306 | 147 | 152 |
| | 442 | 613 | 314 | 312 |

Directors are the only officers of the Company and there are no other key personnel. The Group has one employee; for further details see note 27. The Directors' annual remuneration for services to the Group was €203,000 (2022: €198,375), as set out in the Directors' Remuneration Report on pages 49 to 51. The total charge for Directors' fees was €232,000 (2022: €217,000), which included employer's National Insurance contributions. Other expenses include items such as domiciliation fees and registrar fees.

10. Taxation

| | 30/09/2023 €'000 | 30/09/2022 €'000 |
|--|---------------------|---------------------|
| Current tax charge | 739 | 1,305 |
| Current tax adjustment in respect of prior periods | (480) | - |
| Deferred tax (credit)/charge | (899) | 1,280 |
| Tax (credit)/expense in year | (640) | 2,585 |
| Reconciliation of effective tax rate | | |
| (Loss)/Profit before taxation | (10,022) | 16,576 |
| Effect of: | | |
| Tax charge at weighted average corporation tax rate of 22.65% (2022: 23.40%) | (2,210) | 3,877 |
| Tax exempt income or non-deductible losses | 840 | (1,482) |
| Tax adjustment on net revaluation loss | 625 | 375 |
| Current year loss for which no deferred tax is recognised | - | 15 |
| Tax adjustment of share of joint venture loss | 691 | 744 |
| Minimum Luxembourg tax charges | 88 | 65 |
| Tax effect of property depreciation | (418) | (999) |
| Timing differences | - | (73) |
| Tax adjustment in respect of prior periods | (480) | - |
| Other permanent differences | 224 | 63 |
| Total tax (credit)/expense in the year | (640) | 2,585 |

The effective tax rate is a weighted average of the applicable tax rates in the countries the Group has operations. The opening deferred tax liability was €5,124,000, which after a credit of €899,000 leads to a closing liability of €4,225,000. A potential deferred tax asset of €1,306,000 (2022: €845,000) arose on tax losses which has not been provided for.

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

Notes to the Financial Statements continued

10. Taxation continued

The Group operates in a number of jurisdictions and is subject to periodic challenges by local tax authorities on a range of tax matters during the normal course of business. The tax impact can be uncertain until a conclusion is reached with the relevant tax authority or through a legal process. The Group addresses this uncertainty by closely monitoring tax developments, seeking independent advice and maintaining transparency with the authorities it deals with as and when any enquiries are made. As a result of its monitoring, the Group has identified a potential tax exposure attributable to the ongoing applicability of tax treatments adopted in respect of the Group's tax structures. The range of potential outcomes is a possible outflow of minimum £Nil and maximum £9.5 million, excluding possible interest and penalties (2022: minimum £Nil and maximum £9.3 million). The Directors have not provided for this amount because they do not believe an outflow is probable.

11. Earnings per share

Basic earnings per share

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

| | 30/09/2023 | 30/09/2022 |
|---|---------------------|--------------------|
| Total comprehensive (loss)/income for the year | €(9,382,000) | €13,918,000 |
| Weighted average number of ordinary shares in issue | 133,734,686 | 133,734,686 |
| Basic IFRS earnings per share (cents per share) | (7.0) | 10.4 |

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 2022 and 2023.

Headline earnings per share

The headline earnings and diluted headline earnings for the Group is 6.2 euro cents per share (2022: 4.5 euro cents per share) as detailed on page 95.

12. Dividends paid

Interim and special dividends of €7,422,000 (2022: €25,207,000) were paid to the shareholders of SEREIT plc during the year as follows:

| In respect of | Ordinary shares | Rate (cents) | 30/09/2023 €'000 |
|--|--------------------|--------------|---------------------|
| Interim dividend paid on 13 January 2023 | 133,734,686 | 1.85 | 2,474 |
| Interim dividend paid on 5 May 2023 | 133,734,686 | 1.85 | 2,474 |
| Interim dividend paid on 11 August 2023 | 133,734,686 | 1.85 | 2,474 |
| Total interim dividends paid | 133,734,686 | | 7,422 |

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

13. Investment property

| Group | €'000 |
|--|----------------|
| Fair value as at 1 October 2021 | 199,727 |
| Acquisitions | 9,997 |
| Acquisition costs | 868 |
| Additions | 513 |
| Net gain from fair value adjustment on investment property | 6,351 |
| Fair value as at 30 September 2022 | 217,456 |
| Acquisitions | 11,150 |
| Acquisition costs | 1,218 |
| Additions | 3,000 |
| Net loss from fair value adjustment on investment property | (19,726) |
| Fair value as at 30 September 2023 | 213,098 |

In 2022 and 2023, the Group held one leasehold property.

The value of the respective sectors held were as follows:

| Sector | 2023 €'000 | 2022 €'000 |
|---------------------------------------|----------------|----------------|
| Industrial | 78,537 | 63,603 |
| Retail (including retail warehousing) | 39,650 | 51,049 |
| Offices | 94,911 | 102,804 |
| Total | 213,098 | 217,456 |

The fair value of investment properties, as determined by the valuer, totals €214,125,000 (2022: €218,700,000) with the valuation amount relating to a 100% ownership share for all the assets in the portfolio.

None of this amount is attributable to trade or other receivables in connection with lease incentives. The fair value of investment properties per the consolidated financial statements of €213,098,000 includes a tenant incentive adjustment of €1,027,000 (30 September 2022: €1,244,000).

The net valuation (loss)/gain on investment property of €(19,726,000) (2022: €6,351,000) consists of net property revaluation (losses)/gains of €19,509,000 (2022: €6,472,000) and a movement of the above mentioned tenant incentive adjustment of €(217,000) (2022: €104,000).

The fair value of investment property has been determined by Knight Frank LLP, a firm of independent chartered surveyors, who are registered independent appraisers. The valuation has been undertaken in accordance with the RICS Valuation – Global Standards November 2021, incorporating the International Valuations Standards, and RICS Professional Standards UK, November 2018 (effective January 2019).

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

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

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

During the year, the Group acquired Alkmaar, a logistics asset in the Netherlands for a purchase price of €11,150,000 in March 2023.

Notes to the Financial Statements continued

13. Investment property continued

The Group has incorporated Environmental, Social and Governance ('ESG') objectives into its core investment strategy and at every stage of the investment process. It has clearly defined its social and environmental targets into distinct categories, for which each has clear and measurable impact objectives. The valuers take into account environmental considerations in their assessment of ERV, discount rate and capital expenditure assumptions for each asset. Some examples include: Hamburg office (c.€800k provisioned) for future BMS, HVAC and tenant wellbeing measures in order to continue to keep the asset relevant for occupiers; Stuttgart (c.€600k) primarily ESG related capital expenditure; and Paris Saint-Cloud (c.€2.5 million) relating to fire security enhancements and co-ownership works which will improve ESG ratings in line with Tertiary Decree requirements.

A provision or contingent liability would only be recognised in the consolidated financial statements if the ESG factors led to a constructive or legal obligation for the Group. None of the above amounts have been provided for in the 30 September 2023 annual accounts as there is no legal or constructive obligation to perform these works at the reporting date.

The Group's total valuation fees for the year are €67,000 (2022: €50,000). The fee payable to Knight Frank LLP is less than 5% of its total revenue in any year.

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

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

| 2023 | | Industrial | Retail (incl. retail warehouse) | Office | Total |
|---|--|-----------------------|---------------------------------------|-------------------------|------------------------|
| Fair value (€'000) ¹ | | 78,575 | 39,650 | 95,900 | 214,125 |
| Area ('000 sqm) | | 95.071 | 21.325 | 54.579 | 170.975 |
| Net passing rent € per sqm per annum | Range Weighted average ² | 33.16–125.09 63.79 | 108.12–154.66 121.09 | 118.63–158.07 138.22 | 33.16–158.07 107.73 |
| Gross ERV € per sqm per annum | Range Weighted average ² | 42.00–110.30 63.20 | 101.58–162.27 118.50 | 79.93–234.01 181.29 | 42.00–234.01 126.33 |
| Net initial yield ³ (%) | Range Weighted average ² | 5.42–9.54 6.35 | 5.76–5.79 5.77 | 4.02–17.09 6.60 | 4.02–17.09 6.35 |
| Equivalent yield (%) | Range Weighted average ² | 5.57–9.76 5.94 | 5.36–5.40 5.39 | 3.87–13.38 7.17 | 3.87–13.38 6.39 |

1 Weighted by market value.

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

| 2022 | | Industrial | Retail (incl. retail warehouse) | Office | Total |
|---|--|-----------------------|---------------------------------------|-------------------------|------------------------|
| Fair value (€'000) ¹ | | 71,950 | 69,150 | 104,000 | 245,100 |
| Area ('000 sqm) | | 86.421 | 44.433 | 54.58 | 185.434 |
| Net passing rent € per sqm per annum | Range Weighted average ² | 28.81–118.10 55.83 | 38.33–151.18 85.66 | 103.57–145.83 136.17 | 28.81–151.18 98.34 |
| Gross ERV € per sqm per annum | Range Weighted average ² | 40.00–104.42 56.46 | 101.58–162.27 129.96 | 79.93–224.34 169.81 | 40.00–224.34 125.29 |
| Net initial yield ³ (%) | Range Weighted average ² | 4.82–8.66 5.57 | 2.87–5.38 4.24 | 3.34–14.42 5.93 | 2.87–14.42 5.35 |
| Equivalent yield (%) | Range Weighted average ² | 4.50–6.68 5.19 | 4.95–7.29 5.87 | 3.27–12.40 6.26 | 3.27–12.40 5.84 |

1 This table includes the joint venture investment property valued at €26.4 million which is disclosed within the summarised information within note 16 as part of total assets.

2 Weighted by market value.

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

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 2023 | Industrial €'000 | Retail €'000 | Office €'000 | Total €'000 |
|--|---------------------|-----------------|-----------------|----------------|
| Increase in ERV by 10% | 4,900 | 2,600 | 7,100 | 14,600 |
| Decrease in ERV by 10% | (4,900) | (2,600) | (7,100) | (14,600) |
| Increase in net initial yield by 0.5% | (6,200) | (3,400) | (9,000) | (18,600) |
| Decrease in net initial yield by 0.5% | 7,400 | 4,100 | 9,800 | 21,300 |

14. Recognition of development revenue and profit

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

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

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

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

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

The Group has estimated that it will receive total development revenue of €30.4 million (2022: €30.2 million).

During the year the Group made cost savings of €1.1 million (2022: €15.4 million expenditure) which cumulatively to date, represents 96% of the total project expenditure and a sum of €0.4 million (2022: €17.9 million) of development revenue has been recognised following consideration of the factors identified above. Total development revenue from this contract recognised since inception is €28.1 million, which represents 93% of total development revenue.

The cash received in the year was €8.8 million. The remaining development revenue is expected to be recognised in the year-ending 30 September 2024. The lag between development revenue and development cost represents the inherent development risk that is still evident in the project.

Notes to the Financial Statements continued

14. Recognition of development revenue and profit continued

The total amount of the contract asset recognised by the Group that is due from the purchaser thereby totalled €1.9 million (September 2022: €10.3 million) at the end of the financial year and is included in trade and other receivables.

The below sensitivity table presents the change in the total development revenue expected from the purchaser if the variable consideration increases or decreases by 10%. Note that the maximum amount of variable revenue remaining that could be recognised is €2.2 million. This is also the expected amount of revenue to be received therefore no +10% analysis is performed.

| | -10% | 0% | +10% |
|---|------|-----|------|
| Variable development revenue expected from the purchaser (€m) | 1.9 | 2.2 | 2.2 |

15. Investment in subsidiaries

| Company | Company 2023 €'000 | Company 2022 €'000 |
|--|--------------------------|--------------------------|
| Balance as at 1 October | 61,386 | 61,386 |
| Additions | 8,535 | – |
| Provision of investment made in subsidiaries | – | – |
| Balance as at 30 September | 69,921 | 61,386 |

During the year to 30 September 2023, SEREIT plc invested €5,400,000 into SEREIT Holdings Sarl as part of the acquisition of the Alkmaar property and the creation of the SPV SEREIT Alkmaar Sarl.

The Group made a decision that a dividend of €3,135,000 previously paid to SEREIT plc from SEREIT Holdings Sarl was to be reclassified as a partial repayment of an interest free loan.

The subsidiary companies listed below are those which were part of the Group as at 30 September 2023. 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 Sarl | Luxembourg | 100% | 15, Boulevard F.W. Raiffeisen, 2411 |
| SEREIT Holdings Sarl | Luxembourg | 100% | 15, Boulevard F.W. Raiffeisen, 2411 |
| OPPCI SEREIT France | France | 100% | 153 Rue Saint Honoré, 75001 Paris |
| SCI SEREIT Rumilly | France | 100% | 8–10 Rue Lamennais, 75008 Paris |
| SEREIT Berlin DIY Sarl | Luxembourg | 100% | 15, Boulevard F.W. Raiffeisen, 2411 |
| SEREIT Hamburg Sarl | Luxembourg | 100% | 15, Boulevard F.W. Raiffeisen, 2411 |
| SEREIT Stuttgart Sarl | Luxembourg | 100% | 15, Boulevard F.W. Raiffeisen, 2411 |
| SEREIT Frankfurt Sarl | Luxembourg | 100% | 15, Boulevard F.W. Raiffeisen, 2411 |
| SCI SEREIT Directoire | France | 100% | 8–10 Rue Lamennais, 75008 Paris |
| SEREIT Apeldoorn Sarl | Luxembourg | 100% | 15, Boulevard F.W. Raiffeisen, 2411 |
| SEREIT UV Sarl | Luxembourg | 100% | 15, Boulevard F.W. Raiffeisen, 2411 |
| SEREIT Alkmaar Sarl | Luxembourg | 100% | 15, Boulevard F.W. Raiffeisen, 2411 |
| SEREIT Holdings France SAS (SIIC) | France | 100% | 8–10 Rue Lamennais, 75008 Paris |
| SCI SEREIT Pleudihen | France | 100% | 8–10 Rue Lamennais, 75008 Paris |
| SAS Clarity Developpement | France | 100% | 8–10 Rue Lamennais, 75008 Paris |
| SEREIT France Invest SAS | France | 100% | 8–10 Rue Lamennais, 75008 Paris |
| SCI SEREIT Nantes | France | 100% | 8–10 Rue Lamennais, 75008 Paris |
| SCI LC Invest | France | 100% | 8–10 Rue Lamennais, 75008 Paris |

16. Investment in joint venture

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

| Group | 2023 €'000 | 2022 €'000 |
|---|-----------------------|-----------------------|
| Balance as at 1 October | - | - |
| Investment in joint venture | - | - |
| Share of loss for the year | - | - |
| Balance as at 30 September | - | - |
| | | |
| | 2023 €'000 | 2022 €'000 |
| Summarised joint venture financial information: | | |
| Total assets | 28,078 | 29,290 |
| Total liabilities | (50,055) | (48,435) |
| Net liabilities | (21,977) | (19,146) |
| Net asset value attributable to the Group | - | - |
| Revenues for the year | 2,329 | 4,003 |
| Total comprehensive (loss) | (2,832) | (4,536) |
| Total comprehensive loss attributable to the Group | - | - |

As at 30 September 2023, the joint venture in Seville, of which SEREIT holds a 50% share, had total net liabilities of €21,977,000 (2022: €19,146,000). The Group has therefore recognised a nil interest as its investment in the joint venture and would only recognise its share of net liabilities where certain legal or constructive obligations are in force. No such obligations exist with regard to the Seville joint venture.

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

In 2023 and 2022, within total liabilities of the joint venture, there is also a loan amount of €10,000,000 owed to the Group. The Group has fully impaired the loan and interest receivable from the joint venture and further details are provided in note 6. The loan is expected to mature at the same time as the above-mentioned bank loan and carries a fixed interest rate of 4.37% per annum payable quarterly.

17. Trade and other receivables

| | Group 2023 €'000 | Group 2022 €'000 | Company 2023 €'000 | Restated (as per note 1) Company 2022 €'000 |
|---|------------------------|------------------------|--------------------------|---|
| Rent and service charges receivable | 4,467 | 2,763 | - | - |
| Amounts due from subsidiary undertakings | - | - | 1,221 | 16,096 |
| VAT receivable | 297 | 891 | 4 | 21 |
| Rental and security deposits | 1,067 | 1,569 | - | - |
| Proceeds receivable from development ¹ | 1,898 | 10,346 | - | - |
| Withholding tax receivable | - | - | - | - |
| Other debtors and prepayments | 1,168 | 1,111 | 60 | 83 |
| | 8,897 | 16,680 | 1,285 | 16,200 |

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

Other debtors and prepayments includes tenant incentives of €1,027,000 (2022: €1,244,000). There were no provisions against the above amounts in 2023 (2022: Nil).

Notes to the Financial Statements continued

18. Share capital and share premium

| | Group 30/09/2023 €'000 | Group 30/09/2022 €'000 | Company 30/09/2023 €'000 | Company 30/09/2022 €'000 |
|------------------------|------------------------------|------------------------------|--------------------------------|--------------------------------|
| Ordinary share capital | 17,966 | 17,966 | 17,966 | 17,966 |
| Share premium | 43,005 | 43,005 | 43,005 | 43,005 |

As at 30 September 2023, the share capital of the Company was represented by 133,734,686 ordinary shares (2022: 133,734,686 ordinary shares) with a par value of 10.00 pence.

Issued share capital

As at 30 September 2023, the Company had 133,734,686 ordinary shares (2022: 133,734,686 in issue (no shares were held in treasury)). The total number of voting rights of the Company at 30 September 2023 was 133,734,686 (2022: 133,734,686).

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

19. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate risk see note 22.

| | Group 2023 €'000 | Group 2022 €'000 | Company 2023 €'000 | Company 2022 €'000 |
|--------------------------------------|------------------------|------------------------|--------------------------|--------------------------|
| As at 1 October | 68,744 | 68,589 | – | – |
| Drawdown of new loans | 31,760 | – | – | – |
| Repayment of matured debt facilities | (26,950) | – | – | – |
| Capitalisation of finance costs | (84) | (15) | – | – |
| Amortisation of finance costs | 153 | 170 | – | – |
| As at 30 September | 73,623 | 68,744 | – | – |

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

Bank loan – HSBC Bank plc

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

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

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

This loan was fully repaid in September 2023.

Bank loan – ABN AMRO

The Group entered into a facility of €13.76 million with ABN AMRO during the year ended 30 September 2023. The loan was fully drawn down on 28 September 2023 and matures on 1 September 2028.

It carries an interest rate of 5.3% which is payable quarterly. The debt has a LTV covenant of 62.5%, with a cash trap of 55% which reduces by 1% each year from 1 September 2024 and the debt to yield ratio should be above 12.5%.

The lender has a charge over property owned by the Group with a value of €36,475,000. A pledge of all shares in the borrowing Group company will be put in place.

Bank loan – BRED Banque Populaire

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

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

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

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

Bank loan – Deutsche Pfandbriefbank AG

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

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

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

The €14.0 million loan was fully repaid in March 2023.

Bank loan – Westerwald Bank eG

The Group entered into a facility of €18.0 million with Westerwald Bank eG on 31 March 2023. The loan has been fully drawn and matures on 31 December 2027. It carries an interest rate of 3.8% which is payable quarterly.

The lender has a charge over property owned by the Group with a value of €42,400,000.

Bank loan – Landesbank Saar

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

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

This loan was classified as a current liability for the year ended 30 September 2023.

Bank loan – Landesbank Saar

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

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

The Group fully repaid the loan ahead of its maturity in April 2023.

Notes to the Financial Statements continued

20. Trade and other payables

| | Group 30/09/2023 €'000 | Group 30/09/2022 €'000 | Company 30/09/2023 €'000 | Company 30/09/2022 €'000 |
|--------------------------|------------------------------|------------------------------|--------------------------------|--------------------------------|
| Rent received in advance | 880 | 1,333 | – | – |
| Rental deposits | 1,393 | 1,568 | – | – |
| Interest payable | 206 | 133 | – | – |
| Retention payable | 85 | 2 | – | – |
| Accruals | 2,194 | 2,428 | 893 | 1,477 |
| Trade payables | 98 | 393 | 39 | – |
| | 4,856 | 5,857 | 932 | 1,477 |

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 €626,000 (2022: €717,000) and property expenses of €505,000 (2022: €625,000).

21. Net asset value per ordinary share

The NAV per ordinary share of 128.2 euro cents per share (2022: 140.8 euro cents per share) is based on the net assets attributable to ordinary shareholders of the Group of €171,439,000 (2022: €188,243,000), and 133,734,686 ordinary shares in issue at 30 September 2023 (2022: 133,734,686 ordinary shares).

22. Financial instruments, properties and associated risks

Financial risk factors

The Group holds cash and liquid resources as well as having debtors and creditors that arise directly from its operations. The Group uses interest rate caps when required to limit exposure to interest rate risks, but does not have any other derivative instruments. The financial risk profile of the Group has been heightened, in part, due to ongoing geopolitical developments, together with macroeconomic uncertainty.

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

Market price risk

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

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.

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

The Board monitors the market value of investment properties by having independent valuations carried out quarterly by a firm of independent chartered surveyors. See note 13.

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

Currency risk

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

| Net assets | Group 30/09/2023 €'000 | Group 30/09/2022 €'000 | Company 30/09/2023 €'000 | Company 30/09/2022 €'000 |
|------------|------------------------------|------------------------------|--------------------------------|--------------------------------|
| Euros | 171,346 | 188,436 | 148,903 | 155,842 |
| Sterling | 13 | (223) | 13 | (223) |
| Rand | 80 | 30 | 80 | 30 |
| | 171,439 | 188,243 | 148,996 | 155,649 |

Interest rate risk

Exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations and to interest earned on cash balances. As interest on the Group's long-term debt obligations is payable on a fixed-rate basis, or is capped, the Group has limited exposure to interest rate risk, but is exposed to changes in fair value of long-term debt obligations such as derivatives which are driven by interest rate movements. As at 30 September 2023, the total carrying value of the Group's loans was €73.9 million (2022: €69.1 million). The Group only has its fixed rate debt fair valued, and as at 30 September 2023, the fair value of the Group's fixed rate debt was €47.3 million (2022: €29.5 million). The carrying value for the fixed rate debt was €48.3 million (2022: €30.5 million). The Group does not fair value variable rate debt. The carrying value of the variable rate debt, which is €25.6 million (2022: €38.6 million) is deemed to approximate the fair value. A 1% increase or decrease in short-term interest rates would decrease or increase the annual income and equity by €0.1 million (2022: €0.1 million) based on the net of cash and variable debt balances as at 30 September 2023. 1% has been chosen as the sensitivity rate to demonstrate the linear relationship to interest rate changes.

Credit risk

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

With regard to trade and other receivables, sufficient provisions were made against aged tenant receivables where these were doubtful. Management will continue to monitor the ability of the tenants to pay in future.

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

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

In respect of credit risk arising from other financial assets, which comprise cash and cash equivalents and a loan to a joint venture, exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments. In order to mitigate such risks, cash is maintained with major international financial institutions with high-quality credit ratings.

Notes to the Financial Statements continued

22. Financial instruments, properties and associated risks continued

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 30/09/2023 | Group balance at 30/09/2023 €'000 | Company balance at 30/09/2023 €'000 |
|--------------------------------------|-----------------------------|--|--|
| HSBC Bank plc | A- | 7,222 | 1,450 |
| ING Bank N.V. | A- | 5,123 | – |
| BNP Paribas | A- | 1,274 | – |
| BRED Banque Populaire | A | 1,664 | – |
| Santander | A- | 7,096 | 7,089 |
| Societe Generale SA | A- | 3,773 | 871 |
| Commerzbank AG | BBB | 2,155 | – |
| FirstRand Bank Limited | BBB- | 80 | 80 |
| Royal Bank of Scotland International | BBB+ | 4,058 | 4,058 |
| | | 32,445 | 13,548 |

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

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

| | 30/09/2023 Carrying amount €'000 | 30/09/2022 Carrying amount €'000 |
|---------------------------------------|---|---|
| Office | 3,357 | 1,701 |
| Retail (including retail warehousing) | 561 | 381 |
| Industrial | 550 | 513 |
| | 4,468 | 2,595 |

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

| | 30/09/2023 Carrying amount €'000 | 30/09/2022 Carrying amount €'000 |
|--------------|---|---|
| 0–30 days | 65 | 2,707 |
| 31–60 days | 59 | – |
| 61–90 days | 8 | – |
| 91 days plus | 712 | – |
| | 844 | 2,707 |

Liquidity risk

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

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 2023 | Carrying amount €'000 | Expected cash flows €'000 | 6 months or less €'000 | 6 months to 2 years €'000 | 2–5 years €'000 | More than 5 years €'000 |
|--|--------------------------|------------------------------|---------------------------|------------------------------|--------------------|----------------------------|
| Financial liabilities | | | | | | |
| Interest-bearing loans and borrowings and interest | 73,860 | 81,289 | 9,587 | 19,604 | 52,098 | – |
| Trade and other payables | 4,856 | 4,856 | 4,856 | – | – | – |
| Total financial liabilities | 78,716 | 86,145 | 14,443 | 19,604 | 52,098 | – |
| As at 30 September 2022 | Carrying amount €'000 | Expected cash flows €'000 | 6 months or less €'000 | 6 months to 2 years €'000 | 2–5 years €'000 | More than 5 years €'000 |
| Financial liabilities | | | | | | |
| Interest-bearing loans and borrowings and interest | 69,050 | 70,845 | 461 | 36,459 | 33,925 | – |
| Trade and other payables | 5,724 | 5,724 | 5,724 | – | – | – |
| Total financial liabilities | 74,774 | 76,569 | 6,185 | 36,459 | 33,925 | – |

Fair values

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

The fair value hierarchy levels are as follows:

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

There have been no transfers between Levels 1, 2 and 3 during the year (2022: 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.

Notes to the Financial Statements continued

22. Financial instruments, properties and associated risks continued

Trade and other receivables/payables

All receivables and payables are deemed to be due within one year and as such the carrying value approximates the fair value.

Derivatives – Level 2

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

Capital management

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

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

| | 30/09/2023 €'000 | 30/09/2022 €'000 |
|---|---------------------|---------------------|
| Debt | | |
| Loan facilities and accrued interest | 73,828 | 68,877 |
| Equity | | |
| Called-up share capital and share premium | 60,971 | 60,971 |
| Retained earnings and other reserves | 110,468 | 127,272 |
| Total equity | 171,439 | 188,243 |
| Total debt and equity | 245,267 | 257,120 |

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

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

23. Operating leases

The Group leases out its investment property under operating leases. At 30 September 2023, the future minimum lease receipts under non-cancellable leases are as follows:

| | 30/09/2023 €'000 | 30/09/2022 €'000 |
|------------------------------|---------------------|---------------------|
| The Group as a lessor | | |
| Less than one year | 16,511 | 14,426 |
| Between one and five years | 41,938 | 41,945 |
| More than five years | 13,189 | 7,435 |
| | 71,638 | 63,806 |

The total above comprises the total contracted rent receivable as at 30 September 2023.

24. Related party transactions

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

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

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

25. Contingent liability

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

26. Capital commitments

At 30 September 2023 the Group had capital commitments of €400,000 (2022: €1,500,000) with regards to its directly held portfolio. This relates to various small projects across the portfolio.

In addition, the Group is expected to incur a further €1.0 million of development expenditure with regards to the comprehensive refurbishment of the Paris, Boulogne-Billancourt asset.

27. Employees

The Group has one employee who is appointed by the French branch of the Company. The total charge for the employee during the year was €22,000 (2022: €22,000).

28. Post balance sheet events

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

Other information (unaudited)

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Other information (unaudited)

EPRA and Headline Performance Measures (unaudited)

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

a. EPRA earnings and earnings per share

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

| | Year to 30 September 2023 €'000 (unaudited) | Year to 30 September 2022 €'000 (unaudited) |
|---|--|--|
| Total IFRS comprehensive (loss)/income | (9,382) | 13,918 |
| Adjustments to calculate EPRA earnings: | | |
| Net (gain)/loss from fair value adjustment on investment property | 19,726 | (6,351) |
| Currency translation differences (unrealised) | – | 73 |
| Net development (revenue)/expenditure | (1,538) | (2,506) |
| Share of joint venture loss/profit | (209) | (561) |
| Deferred tax | (899) | 1,280 |
| Tax on development profit | – | 702 |
| Net change in fair value of financial instruments | 260 | (921) |
| Provision of internal loan made to Seville joint venture (excluding interest) | – | 444 |
| EPRA earnings | 7,958 | 6,078 |
| Weighted average number of ordinary shares | 133,734,686 | 133,734,686 |
| IFRS earnings and diluted earnings (cents per share) | (7.0) | 10.4 |
| EPRA earnings per share (cents per share) | 6.0 | 4.5 |

b. EPRA Net Reinstatement Value

| | Year to 30 September 2023 €'000 (unaudited) | Year to 30 September 2022 €'000 (audited) |
|---|--|--|
| IFRS equity attributable to shareholders | 171,439 | 188,243 |
| Deferred tax and tax on development and trading properties | 4,225 | 5,124 |
| Adjustment for fair value of financial instruments | (674) | (934) |
| Adjustment in respect of real estate transfer taxes | 18,477 | 17,444 |
| EPRA Net Reinstatement Value | 193,467 | 209,877 |
| Shares in issue at end of year | 133,734,686 | 133,734,686 |
| IFRS Group NAV per share (cents per share) | 128.2 | 140.8 |
| EPRA Net Reinstatement Value per share (cents per share) | 144.7 | 156.9 |

c. EPRA Net Tangible Assets

| | Year to 30 September 2023 €'000 (unaudited) | Year to 30 September 2022 €'000 (unaudited) |
|---|--|--|
| IFRS equity attributable to shareholders | 171,439 | 188,243 |
| Deferred tax | 4,225 | 5,124 |
| Adjustment for fair value of financial instruments | (674) | (934) |
| EPRA Net Tangible Assets | 174,990 | 192,433 |
| Shares in issue at end of year | 133,734,686 | 133,734,686 |
| IFRS Group NAV per share (cents per share) | 128.2 | 140.8 |
| EPRA Net Tangible Assets per share (cents per share) | 130.8 | 143.9 |

d. EPRA Net Disposal Value

| | Year to 30 September 2023 €'000 (unaudited) | Year to 30 September 2022 €'000 (unaudited) |
|---|--|--|
| IFRS equity attributable to shareholders | 171,439 | 188,243 |
| Adjustment for the fair value of fixed interest rate debt | 925 | 987 |
| EPRA Net Disposal Value | 172,364 | 189,230 |
| Shares in issue at end of year | 133,734,686 | 133,734,686 |
| IFRS Group NAV per share (cents per share) | 128.2 | 140.8 |
| EPRA Net Disposal Value (cents per share) | 128.9 | 141.5 |

e. Headline earnings reconciliation

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

| | Year to 30 September 2023 €'000 (unaudited) | Year to 30 September 2022 €'000 (unaudited) |
|---|--|--|
| Total IFRS comprehensive income | (9,382) | 13,918 |
| Adjustments to calculate headline earnings exclude: | | |
| Net valuation (profit)/loss on investment property | 19,276 | (6,351) |
| Net development (revenue)/expenditure | (1,538) | (2,506) |
| Share of joint venture loss on investment property | (209) | (561) |
| Deferred tax | (899) | 1,280 |
| Tax on development profit | – | 701 |
| Net change in fair value of financial instruments | 260 | (921) |
| Provision of internal loan made to Seville joint venture (excluding interest) | – | 444 |
| Headline earnings | 7,958 | 6,078 |
| Weighted average number of ordinary shares | 133,734,686 | 133,734,686 |
| Headline and diluted headline earnings per share (cents per share) | 6.0 | 4.5 |

Alternative Performance Measures (unaudited)

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

Dividend Cover – the ratio of EPRA Earnings (page 94) to dividends paid (note 12) in the period. Earnings excludes capital items such as revaluation movements on investments and gains or losses on the disposal of investment properties.

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

EPRA Earnings – earnings excluding all capital components not relevant to the underlying net income performance of the Company, such as the unrealised fair value gains or losses on investment properties and any gains or losses from the sales of properties. See page 94 for a reconciliation of this figure.

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

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

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

Gross LTV – the value of the external loans unadjusted for unamortised arrangement costs (page 18) expressed as a percentage of the gross assets excluding cash as at the Balance Sheet date. The gross assets are calculated on a proportional basis and includes the Group's 50% share in the Seville joint venture.

LTV Net of Cash – the value of the external loans unadjusted for unamortised arrangement costs (page 18) less cash held (page 65) expressed as a percentage of the gross assets including cash as at the Balance Sheet date. The gross assets are calculated on a proportional basis and includes the Group's 50% share in the Seville joint venture.

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

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

Share Discount/Premium – the share price of the Company is derived from buyers and sellers trading their shares on the stock market. This price is not identical to the NAV per share of the underlying assets less liabilities of the Company. If the share price is lower than the NAV per share, the shares are trading at a discount. Shares trading above the NAV per share are said to be at a premium. The discount/premium is calculated as the variance between the share price as at the Balance Sheet date and the NAV per share (page 3) expressed as a percentage.

NAV total return – the return to shareholders calculated on a per share basis by adding dividends paid (note 12) in the period on a time-weighted basis to the increase or decrease in the NAV per share (page 3).

AIFMD Disclosures (unaudited)

AIFMD remuneration disclosures for Schroder Real Estate Investment Management Limited ('SREIM') for the year to 31 December 2022

These disclosures form part of the non-audited section of this annual report and accounts and should be read in conjunction with the Schroders plc Remuneration Report on pages 76 to 107 of the 2022 Annual Report and Accounts (available on the Group's website – <https://www.schroders.com/en/investor-relations/results-and-reports/annual-report-and-accounts-2022/>), which provides more information on the activities of our Remuneration Committee and our remuneration principles and policies.

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

The Remuneration Committee of Schroders plc has established a remuneration policy to ensure the requirements of the AIFM Directive are met for all AIF MRTs. The Remuneration Committee and the Board of Schroders plc review remuneration strategy at least annually. The directors of SREIM are responsible for the adoption of the remuneration policy and periodically reviewing its implementation in relation to SREIM. During 2022 the remuneration policy was reviewed to ensure compliance with the UCITS/AIFMD remuneration requirements and no significant changes were made.

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

The ratio of total costs to net income through the market cycle guides the total spend on remuneration each year. This is recommended by the Remuneration Committee to the Board of Schroders plc. This approach aligns remuneration with Schroders financial performance. In determining the remuneration spend each year, the underlying strength and sustainability of the business is taken into account, along with reports on risk, legal, compliance and internal audit matters from the heads of those areas.

The remuneration data that follows reflects amounts paid in respect of performance during 2022.

- The total amount of remuneration paid by SREIM to its staff is nil as SREIM has no employees. Employees of SREIM or other Schroders Group entities who serve as Directors of SREIM receive no additional fees in respect of their role on the Board of SREIM.
- The following disclosures relate to AIF MRTs of SREIM. Those AIF MRTs were employed by and provided services to other Schroders group companies and clients. In the interests of transparency, the aggregate remuneration figures that follow reflect the full remuneration for each SREIM AIF MRT. The aggregate total remuneration paid to the 73 AIF MRTs of SREIM in respect of the financial year ended 31 December 2022 is £53.67 million, of which £33.91 million was paid to senior management, £16.68 million was paid to MRTs deemed to be taking risk on behalf of SREIM or the AIF funds that it manages and £3.08 million was paid to control function MRTs.

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

AIFMD Disclosures (unaudited) continued

Leverage disclosure

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

The Investment Manager has set the expected maximum leverage percentages for the Company and calculated the actual leverages as at June 2023 as shown below (the Company calculates and externally reports its leverage one quarter in arrears):

| | Maximum limit set | Actual as at 30.06.23 |
|---------------------|----------------------|--------------------------|
| Gross leverage | 200 | 133 |
| Commitment leverage | 240 | 151 |

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

Task Force on Climate-related Financial Disclosures ('TCFD')

The Task Force on Climate-related Financial Disclosures ('TCFD') aims to mainstream reporting on climate-related risks and opportunities in organisations' annual financial filings.

The TCFD recommendations are structured around four themes: Governance, Strategy, Risk Management, and Metrics and Targets. Key concepts within the framework include:

- 'transition' risks: arising from society's transition to a low carbon economy (changing regulation and market expectations, new technologies etc.); and
- 'physical' risks: relating to the acute (storms, floods and wildfires etc.) and chronic (rising sea levels, increasing heat stress etc.) physical effects of a changing climate.

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

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

| TCFD Recommendation | Approach |
|---|--|
| Governance | |
| Describe the board's oversight of climate-related risks and opportunities. | The Board formally reviews the Manager's performance, including ESG-related activity, at quarterly Board meetings. A more detailed review of the Manager's approach to ESG is carried out at the annual strategy review which includes but is not limited to (i) Fund level sustainability performance measured by both the Manager and third parties such as the Global Real Estate Sustainability Benchmark ('GRESB'); (ii) asset level analysis; (iii) a review of the Manager's ESG policies and procedures and (iv) presentations from sustainability specialists. The Manager reviews a materiality assessment annually to identify and assess material impacts, sustainability risks and opportunities arising from our sustainability aspects alongside severity, likelihood, and ability to influence. Impacts, risks and opportunities are also identified as originating from normal, abnormal or emergency conditions. |
| Describe management's role in assessing and managing climate-related risks and opportunities. | Climate change is an established component of our sustainability programme. Responsibility for assessment and management of climate-related risk and opportunity is delegated to key members of the Investment Management team, supported by regular reporting to the Investment Committee. Schroders Head of Sustainability and Impact Investing recommends the Manager's annual Sustainability Policy and Objectives, which are reviewed and approved by the Investment Committee. The Manager incorporates climate-related considerations into key stages of the investment process, including acquisition proposals, annual Asset Business Plans and annual Fund Strategy Statements. Each of these steps of the investment process require approval by the Investment Committee. The Manager also prepares annual report and financial accounts for the Company, which include climate-related metrics and supports the Manager and Board's monitoring of performance and progress towards climate-related goals and targets. During the financial year, the Manager's sustainability team was bolstered with the recruitment of an Energy and Carbon Lead, alongside a Climate Lead who maintains oversight of the Manager's climate resilience programme. Engagement is a critical component of the Manager's climate resilience programme with regular touchpoints with the Schroders Capital Sustainability & Impact working groups ensuring alignment of frameworks and approaches across the business and benefitting from this extensive pool of resource. The Manager includes ESG criteria, including climate-related risks, as part of its formal quarterly investment risk monitoring, which is overseen by Schroders Group Investment Risk function, the results of which are presented to the Company Board as part of the quarterly Board materials and discussed as necessary. |

Task Force on Climate-related Financial Disclosures ('TCFD') continued

| TCFD Recommendation | Approach |
|--|---|
| Strategy | |
| Describe the climate-related risks and opportunities the Company has identified over the short, medium, and long term. | <p>Our investment philosophy and process is underpinned by fundamental research and an analytical approach that considers economic, demographic and structural influences on the market. We are considering how climate change may impact on these factors over time, as well as how government policies may enable mitigation of and adaption to climate change.</p> <p>Energy and carbon emissions performance of our assets is a critical climate-related strategic issue. As part of net zero carbon analysis utilising the industry standard Carbon Risk Real Estate Monitor ('CRREM') the Manager has identified those assets which may be exposed to potential stranding risk (including Carbon Value at Risk ('cVaR')) in the short, medium and longer term. The company continues to review asset ratings with respect to Energy Performance Certificates ('EPC') and sustainability certifications (e.g. BREEAM) in recognition of the legislative, policy and investor landscape continuing to strengthen over time in this regard. In the short, medium and longer term, the physical effects of changing climate also present potential material financial impacts to the Company. Using a third-party physical risk database the Manager has identified the highest risks as follows: Drought, Severe Storms, Coastal Flooding, Heating degree days, Heat stress, water pollution and water stress.</p> |
| Describe the impact of climate-related risks and opportunities on the Company's businesses, strategy, and financial planning. | <p>The Manager's acquisition and asset business planning processes include consideration of climate-related issues, and will include forward-looking assessment of asset alignment to Paris Aligned energy and carbon performance benchmarks, where information permits. We are also reviewing our existing processes for screening acquisitions and standing investments for climate-related physical risks (e.g. flooding).</p> <p>As part of the Net Zero Carbon project on standing investments actions identified in the asset business plans have been fed through, via the asset Impact and Sustainability Action Plans, into the forward-looking decarbonisation pathways to present the impact of known interventions. Conversely this also identifies where more action is required to achieve decarbonisation goals. We recognise the need and opportunity presented by climate change to improve operational efficiency, maintenance costs and generate new income streams (e.g. on-site energy) and which all support asset values. These actions also support the Company with increasing investor expectations in relation to climate action and preparing portfolio assets for new and emerging energy efficiency regulations, increases in energy costs, carbon taxes, changing occupier preferences and valuation considerations. With respect to physical risk adaptations considerations will likely include water recycling, overheating and solar gain reduction, cooling load capacity and plant sizing, high-wind protection, and suitable flooding mitigations should be reviewed moving forward.</p> |
| Describe the resilience of the Company's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. | <p>Since 2016, assets of the Company have been included in the Manager's UK energy consumption and carbon emission reduction targets for assets where landlord operational control is retained. As part of the Manager and Company's Net Zero Carbon commitments, during 2022, the Manager reviewed the Company's progress against the baseline exercise conducted in 2021. Net Zero Carbon pathways have been developed using CRREM to present the decarbonisation requirements needed to achieve Net Zero Carbon by 2050 or sooner; aligned with a 'Paris Proof' decarbonisation trajectory to pursue efforts to limit global warming to 1.5°C. The Manager has developed a Net Zero Carbon audit programme to provide accurate modelling and specific recommendations in the form of costed energy conservation measures to achieve Net Zero Carbon by 2050 at the latest for each asset. The outputs of these audits will assist in informing the Manager in developing climate-related actions within asset business plans going forward. Further details on the Company's approach to Net Zero Carbon are presented on page 25. On physical risk, Schroders has licenced a physical risk database through a third-party provider. Heat stress, water stress, flood hazard, heating degree days and cooling degree days are presented as both current and future risk scenarios allowing for interpretation of increasing or decreasing exposure of the portfolio. These are aligned either with RCP4.5 or RCP8.5 scenarios, and range in timeframes from 2030, 2060 and 2100. Natural hazard vulnerability risks are present day assessments.</p> <p>Engaging tenants to collaborate to reduce building energy and carbon emissions is an increasingly important element of our sustainability and business strategy. We have green lease provisions within our standard lease agreement and have developed both a Schroders Sustainable Occupier Guide and Fit Out Guides for Tenants.</p> <p>The Manager continues to engage with the wider sector to determine and develop best practice with regards to climate resilience. One such example being the sponsorship of the ULI C-Change project. This aims to determine sector-level definitions and best practices in accounting for transitional risk cost implications for asset valuations, and inclusion of costs within business plan discounted cash flows.</p> |

| TCFD Recommendation | Approach |
|---|--|
| Risk Management | |
| Describe the Company's processes for identifying and assessing climate-related risks. | Schroders' Environmental Management System ('EMS') is certified to ISO 14001 and applies to the asset management of the Company's real estate assets. Key components of the EMS include a detailed materiality assessment of risks and opportunities, and a register to monitor existing and emerging regulatory requirements related to energy and carbon emissions. The EMS includes subscription to a third-party sustainability legal review partner which supports ongoing compliance and future resilience. The Company's processes for climate-related (including transition and physical risks) risk management are as defined in the 'Strategy' section above. |
| Describe the Company's processes for managing climate-related risks. | Climate-related risks are tracked and managed through ongoing monitoring (e.g. energy and greenhouse emissions trends), action plans (e.g. energy efficiency improvement measures), certification programmes (e.g. Energy Performance Certificates) and technical energy audits. Impact and Sustainability Action Plans also promote and track initiatives relating to climate opportunities (e.g. on-site renewables and electric vehicle charging provision). Applying an assessment of Paris Alignment using the CRREM tool as part of our Net Zero Pathway enables consideration of 'stranding risk' which will also feed into our asset action plans for managed standing investments. On physical risk, the strategy is to utilise the third-party physical risk database to screen acquisitions, assess standing investment portfolios and identify required risk mitigation (i.e. enhanced defences, divestment), adaptation, or transfer (i.e. revised insurance policies) strategies. During the reporting year the Manager developed an ESG Scorecard to help quantify the sustainability performance of its real estate assets and manage opportunities for improvement. The Company has adopted this as part of its sustainability audits programme and will seek to roll this out universally starting with mandatory adoption for all new acquisitions. |
| Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the Company's overall risk management. | The Manager includes ESG criteria, including climate-related risks, as part of its formal quarterly investment risk monitoring, which is overseen by Schroders Group Investment Risk function, the results of which are presented to the Company Board as part of the quarterly Board materials and discussed as necessary. |
| Metrics and Targets | |
| Disclose the metrics used by the Company to assess climate-related risks and opportunities in line with its strategy and risk management process. | In the 'Sustainability Performance Measures (Environmental) (unaudited)' section of this report we provide detailed performance trend data, intensity ratios and assessment methodologies covering energy consumption, GHG emissions, water consumption, waste generation, Energy Performance Certificate ('EPC') profiles and other sustainability certifications (e.g. BREEAM). The Manager's subscription to a third-party physical risk database enables the Company to quantify its exposure to physical risks at the asset and portfolio level including weighted averages based on Gross Asset Value. |
| Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas ('GHG') emissions, and the related risks. | Scope 1 and Scope 2 emissions for operational energy usage for the reporting year are disclosed in the 'Sustainability Performance Measures (Environmental) (unaudited)'. Scope 3 emissions are not currently presented in the 'Sustainability Performance Measures (Environmental) (unaudited)'. However, where available, emissions associated with tenant energy data have been included within the Manager's operational Net Zero Carbon baseline. |
| Describe the targets used by the Company to manage climate-related risks and opportunities and performance against targets. | Net Zero Carbon pathways have been developed, using the Carbon Risk Real Estate Methodology ('CRREM') tool, to present the decarbonisation requirements needed to achieve Net Zero Carbon by 2050 or sooner; aligned with a 'Paris Proof' decarbonisation trajectory to pursue efforts to limit global warming to 1.5°C and include interim milestones at 2030. At portfolio level this equates to a 41% reduction in GHG emissions to be achieved by 2030, based on a 2019 baseline, with the portfolio demonstrating a 35% reduction as of March 2022. The Company adopts the Managers target as part of Schroders PLC's RE100 commitment to source 100% of landlord electricity using renewable sources by 2025. The Company continues to measure its exposure to physical climate risks using a third-party data provider. |

Sustainability Performance Measures (Environmental) (unaudited)

The Company reports sustainability information in accordance with EPRA Best Practice Recommendations on Sustainability Reporting (sBPR) 2017, 3rd Edition for the 12 months 1 April 2022 – 31 March 2023, presented with comparison against 2021/22. As permitted by the EPRA Sustainability Reporting Guidelines, environmental data has been developed and presented in line with the Global Real Estate Sustainability Benchmark ('GRESB').

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

In 2022/23, out of the total 15 assets held by the Company at 31 March 2023, five were within the operational control reporting boundary of the Company (i.e. 'managed'). Energy and water consumption data is reported according to automatic meter reads, manual meter reads or invoice estimates. Historic consumption data have been restated where more complete and or accurate records have become available. Where required, missing consumption data has been estimated by pro-rating data from other periods using recognised techniques. The proportion of data that is estimated is presented in the footnotes to the data tables.

The Company at 31 March 2023 had one part time direct employee and is served by the employees of Schroder Real Estate Investment Management ('SREIM') as Investment Manager to the Company. Accordingly, the EPRA Overarching Recommendation for companies to report on the environmental impact of their own offices is not relevant/material and not presented in this report. This report has been prepared by energy and sustainability consultants, EVORA Global.

The Sustainability Performance Measures have been assured in accordance with AA1000 to provide a Type 2 Moderate Assurance unqualified audit of the sustainability content located on page 116 of the SEREIT annual report for the year ending 30 September 2023. The full Assurance Statement can be found at the following link: https://mybrand.schroders.com/m/740e9841acfa639d/original/SEREIT-EPRA-Annual-Report-Assurance-statement_Updated-Signed.pdf.

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

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

| Sector | Total electricity consumption (kWh) | | Total fuel consumption (kWh) | | Total district heating/cooling consumption (kWh) | |
|--|-------------------------------------|------------------|------------------------------|------------------|--|------------------|
| | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 |
| Retail: Retail Centres: Warehouse | 92,133 | 107,394 | 267,721 | 554,537 | – | – |
| Coverage (landlord-procured consumption) | 100% | 100% | 100% | 100% | – | – |
| Office: Corporate: Mid-Rise Office | 733,113 | 674,449 | – | – | 655,725 | 527,698 |
| Coverage (landlord-procured consumption) | 100% | 100% | – | – | 100% | 100% |
| Office: Corporate: High-Rise Office | 207,315 | 227,049 | 1,432,741 | 1,143,511 | 1,179,753 | 1,010,561 |
| Coverage (landlord-procured consumption) | 100% | 100% | 100% | 100% | 100% | 100% |
| Industrial: Industrial Park | 235,377 | 200,519 | 62,655 | 74,797 | – | – |
| Coverage (landlord-procured consumption) | 100% | 100% | 100% | 100% | – | – |
| Total | 1,267,938 | 1,209,411 | 1,763,118 | 1,772,845 | 1,835,478 | 1,538,259 |
| Coverage (landlord-procured consumption) | 100% | 100% | 100% | 100% | 100% | 100% |
| Total electricity, fuels and district heating | 4,866,534 | 4,520,514 | | | | |
| Coverage (landlord-procured consumption) | 100% | 100% | | | | |
| Renewable electricity % | 84% | 81% | | | | |
| Coverage (landlord-procured consumption) | 100% | 100% | | | | |

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

- Energy procured directly by tenants is not reported.
- Percentage of data estimated through pro-rating across both 2021/22 and 2022/23 reporting period: electricity 4.31%, gas 8.98%, district heating and district heating/cooling 6.09%.
- Renewable electricity (%) is calculated according to the attributes of energy supply contracts as at 31 March 2023 and only reflects renewable electricity procured under a 100% 'green tariff'. The renewables percentage of standard (non 'green tariff') energy supplies are not currently known and therefore has not been included within this number.
- All energy was procured from a third-party supplier. No 'self-generated' renewable energy was consumed during the reporting period and therefore is not presented here.
- Coverage (landlord-procured consumption) percentage relates to the proportion of assets for which landlord obtained data has been reported by count over the number of assets within scope for the sector/utility. For L4L coverage the same rule has been applied, therefore only keeping in scope the assets that are L4L.
- Where appropriate (for relevant assets), consumption data and asset NLA/GIA has been adjusted to reflect the Company's share of ownership.

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

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

| Sector | Total electricity consumption (kWh) | | | Total fuel consumption (kWh) | | | Total district heating consumption (kWh) | | | Like-for-like energy intensity (kWh/m ²) | | |
|--|-------------------------------------|------------------|-----------|------------------------------|------------------|-----------|--|------------------|---------------|--|------|----------|
| | 2021 | 2022 | % Change | 2021 | 2022 | % Change | 2021 | 2022 | % Change | 2021 | 2022 | % Change |
| Retail: Retail Centres: | | | | | | | | | | | | |
| Warehouse | 92,133 | 107,394 | 17% | 267,721 | 554,537 | 107% | – | – | – | 64 | 117 | 84% |
| Coverage (landlord-procured consumption) | 100% | 100% | | 100% | 100% | | – | – | | 100% | 100% | |
| Office: Corporate: | | | | | | | | | | | | |
| Mid-Rise Office | 656,139 | 674,449 | 3% | – | – | – | 655,725.00 | 527,698.00 | (20%) | 77 | 70 | (8%) |
| Coverage (landlord-procured consumption) | 100% | 100% | | – | – | | 100% | 100% | | 100% | 100% | |
| Office: Corporate: | | | | | | | | | | | | |
| High-Rise Office | 205,208.15 | 225,267.21 | 10% | 1,432,741.32 | 1,143,510.55 | (20%) | 657,167.18 | 1,010,560.62 | 54% | 136 | 141 | 4% |
| Coverage (landlord-procured consumption) | 100% | 100% | | 100% | 100% | | 100% | 100% | | 100% | 100% | |
| Industrial: Industrial Park | 235,376.71 | 200,519.00 | (15%) | 62,655.35 | 74,796.92 | 19% | – | – | – | 118 | 109 | (8%) |
| Coverage (landlord-procured consumption) | 100% | 100% | | 100% | 100% | | – | – | | 100% | 100% | |
| Total | 1,188,857 | 1,207,629 | 2% | 1,763,118 | 1,772,845 | 1% | 1,312,892 | 1,538,259 | 17.17% | | | |
| Coverage (landlord-procured consumption) | 100% | 100% | | 100% | 100% | | 100% | 100% | | | | |
| Total electricity, fuels and district heating | 4,264,867 | 4,518,732 | 6% | | | | | | | | | |

Other information (unaudited)

Sustainability Performance Measures (Environmental) (unaudited) continued

| Sector | Total electricity consumption (kWh) | | | Total fuel consumption (kWh) | | | Total district heating consumption (kWh) | | | Like-for-like energy intensity (kWh/m ²) | | |
|--|-------------------------------------|------------|----------|------------------------------|------|----------|--|------|----------|--|------|----------|
| | 2021 | 2022 | % Change | 2021 | 2022 | % Change | 2021 | 2022 | % Change | 2021 | 2022 | % Change |
| Coverage (landlord-procured consumption) | 100% | 100% | | | | | | | | | | |
| Renewable electricity % | 83% | 81% | | | | | | | | | | |
| Coverage (landlord-procured consumption) | 100% | 100% | | | | | | | | | | |

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

- Consumption data relates to the managed portfolio only:
 - Retail: Retail Centres: Warehouse: common parts and shared services.
 - Office: Corporate: Mid-Rise Office: common parts and shared services.
 - Office: Corporate: High-Rise Office: common parts, shared services and tenant space, where procured by the landlord.
 - Industrial: Industrial Park: whole building.
- Energy procured directly by tenants is not reported.
- Percentage of data estimated through pro-rating across both 2021/22 and 2022/23 reporting period: electricity 4.31%, gas 8.98%, district heating and district heating/cooling 6.09%.
- Renewable electricity (%) is calculated according to the attributes of energy supply contracts as at 31 March 2023 and only reflects renewable electricity procured under a 100% 'green tariff' (i.e. where generation is from 100% renewable source). The renewables percentage of standard (non 'green tariff') energy supplies are not currently known and therefore has not been included within this number.
- Intensity: An intensity measure is reported for assets within the like for like portfolio. Numerators/denominators are aligned at the sector level as follows:
 - All sectors: Where the building has Whole Building Energy coverage the energy consumption (kWh) is divided by Gross Internal Area ('GIAm²').
 - All sectors: Where only the Common areas is present the energy consumption (kWh) divided by common parts area ('CPAm²').
- All energy was procured from a third-party supplier. No 'self-generated' renewable energy was consumed during the reporting period and therefore is not presented here.
- Coverage (landlord-procured consumption) relates to the proportion of assets for which landlord obtained data has been 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 emissions (tCO ₂ e) | | | Like-for-like intensity (kg CO ₂ e/m ²) | | |
|--|--|--------------|---|--------------|-----------|---|------|----------|
| | 2021 | 2022 | 2021 | 2022 | % Change | 2021 | 2022 | % Change |
| Retail: Retail Centres: Warehouse | | | | | | | | |
| Scope 1 | 49 | 101 | 49 | 101 | 106% | | | |
| Scope 2 | 32 | 34 | 32 | 34 | 5% | 14 | 24 | 66% |
| Scopes 1 & 2 | 81 | 135 | 81 | 135 | 66% | | | |
| Coverage | 100% | 100% | 100% | 100% | | 100% | 100% | |
| Office: Corporate: Mid-Rise Office | | | | | | | | |
| Scope 1 | – | – | – | – | – | | | |
| Scope 2 | 417 | 341 | 390 | 341 | (13%) | 23 | 20 | (13%) |
| Scopes 1 & 2 | 417 | 341 | 390 | 341 | (13%) | | | |
| Coverage (landlord-procured consumption) | 100% | 100% | 100% | 100% | | 100% | 100% | |
| Office: Corporate: High-Rise Office | | | | | | | | |
| Scope 1 | 263.62 | 209.26 | 263.62 | 209.26 | (21%) | | | |
| Scope 2 | 302.64 | 261.28 | 173.44 | 261.19 | 51% | 26 | 28 | 8% |
| Scopes 1 & 2 | 566.26 | 470.54 | 437.07 | 470.45 | 8% | | | |
| Coverage | 100% | 100% | 100% | 100% | | 100% | 100% | |
| Industrial: Industrial Park | | | | | | | | |
| Scope 1 | 12 | 14 | 12 | 14 | 19% | | | |
| Scope 2 | 87 | 61 | 87 | 61 | (30%) | 39 | 29 | (24%) |
| Scopes 1 & 2 | 98 | 74 | 98 | 74 | (24%) | | | |
| Coverage (landlord-procured consumption) | 100% | 100% | 100% | 100% | | 100% | 100% | |
| Total Scope 1 | 324 | 324 | 324 | 324 | 0% | | | |
| Total Scope 2 | 838 | 697 | 682 | 697 | 2% | | | |
| Total Scope 1 & 2 | 1,162 | 1,021 | 1,006 | 1,021 | 1% | | | |
| Coverage (landlord-procured consumption) | 100% | 100% | 100% | 100% | | | | |

- Like for like excludes assets that were purchased, sold, under refurbishment or subject to a significant change in the scope of reported data during the two years reported.
 - The Fund's greenhouse gas ('GHG') inventory has been developed as follows:
 - Scope 1 GHG emissions relate to the use on-site of natural gas only.
 - Scope 2 GHG emissions relate to the use of electricity, district heating and district cooling.
 - GHG emissions from electricity (Scope 2) are reported according to the 'location-based' approach.
 - GHG emissions are presented as tonnes of carbon dioxide equivalent (tCO₂e) and GHG intensity is presented as kilograms of carbon dioxide equivalent (kgCO₂e/m²), where available greenhouse gas emissions conversion factors allow.
 - Electricity GHG emissions factors are taken from the CO₂ Emissions from Fuel Combustion, International Energy Agency (2022 and 2021).
 - Natural gas GHG emissions factors are taken from CoM Default Emission Factors for the Member States of the European Union (2022)
 - District Heating and Cooling GHG emissions factors are taken from the EVORA default district cooling carbon emissions factor respectively, which is the national average factor for Germany.
- Emissions data relates to the managed portfolio only:
 - Retail: Retail Centres: Warehouse: common parts and shared services.
 - Office: Corporate: Mid-Rise Office: common parts and shared services.
 - Office: Corporate: High-Rise Office: common parts, shared services and tenant space, where procured by the landlord.
 - Industrial: Industrial Park: whole building.

Other information (unaudited)

Sustainability Performance Measures (Environmental) (unaudited) continued

- Emissions associated with energy procured directly by tenants is not reported.
- Intensity: An intensity measure is reported for assets within the like for like portfolio. Numerators/denominators are aligned at the sector level as follows:
 - All sectors: Where the building has Whole Building Energy coverage the energy consumption (kWh) is divided by Gross Internal Area ('GIAm²').
 - All sectors: Where only the Common areas is present the energy consumption (kWh) divided by common parts area ('CPAm²').
- Coverage (landlord-procured consumption) relates to the proportion of assets for which landlord obtained data has been 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 Water consumption (m ³) | | Like-for-like water consumption (m ³) | | | Like-for-like intensity (m ³ /m ²) | | |
|--|--|--------------|---|--------------|------------|---|-------------|----------|
| | 2021 | 2022 | 2021 | 2022 | % Change | 2021 | 2022 | % Change |
| Retail: Retail Centres: Warehouse | 363 | 443 | 363 | 443 | 22% | 0 | 0 | |
| Coverage (landlord-procured consumption) | 100% | 100% | 100% | 100% | | 100% | 100% | 22% |
| Office: Corporate: Mid-Rise Office | 2,129 | 2,382 | 2,129 | 2,382 | 12% | 0.12 | 0.14 | |
| Coverage (landlord-procured consumption) | 100% | 100% | 100% | 100% | | 100% | 100% | 12% |
| Office: Corporate: High-Rise Office | 26,632 | – | – | – | – | – | – | |
| Coverage (landlord-procured consumption) | – | – | – | – | | 100% | – | – |
| Industrial: Industrial Park | 108 | 116 | 108 | 116 | 8% | 0 | 0 | |
| Coverage (landlord-procured consumption) | 100% | 100% | 100% | 100% | | 100% | 100% | 8% |
| Total | 29,232 | 2,941 | 2,599 | 2,941 | 13% | | | |
| Coverage (landlord-procured consumption) | 100% | 100% | 100% | 100% | | | | |

- Like for like excludes assets that were purchased, sold, under refurbishment or subject to a significant change in the scope of reported data during the two years reported. A number of assets do not have 2021/22 and/or 2022/23 data available, and therefore cannot be incorporated in the like for like calculation.
- Consumption data relates to the manage portfolio only:
 - Retail: Retail Centres: Warehouse: whole building.
 - Office: Corporate: Mid-Rise Office: whole building.
 - Office: Corporate: High-Rise Office: whole building.
 - Industrial: Industrial Park: whole building.
- All water was procured from a municipal supply. As far as we are aware, no surface, ground, rainwater or wastewater from another organisation was consumed during the reporting period and therefore is not presented here.
- Percentage of water data estimated through pro-rating across both 2021/22 and 2022/23 reporting period: 0%. Intensity: An intensity measure is reported for assets within the like for like portfolio. Numerators/denominators are aligned at the sector level as follows:
 - All sectors: Where the building has Whole Building Energy coverage the energy consumption (kWh) is divided by Gross Internal Area ('GIAm²').
- Coverage (landlord-procured consumption) relates to the proportion of assets for which landlord obtained data has been reported.
- Company ownership share is 100% for all assets included, therefore consumption data and asset NLA/GIA has not been adjusted to reflect the Company's share of ownership.

Waste (Waste-Abs; Waste-LfL)

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

| | Absolute tonnes | | | | Like-for-like tonnes | | | | | |
|--|---|-------------|---------------|-------------|----------------------|-------------|--------------|-------------|--------------|-------------|
| | 2021 | | 2022 | | 2021 | | 2022 | | % | |
| | Tonnes | % | Tonnes | % | Tonnes | % | Tonnes | % | | |
| Retail: Retail Centres: Warehouse | Recycled | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0.0% | – |
| | Incineration with energy recovery | 8 | 100% | 8 | 100% | 8 | 100% | 8 | 100.0% | – |
| | Unknown | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0.0% | – |
| | Landfill | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0.0% | – |
| | Total | 8 | | 8 | | 8 | | 8 | | 0.0% |
| | Coverage | 100% | | 100% | | 100% | | 100% | | |
| Office: Corporate: Mid-Rise Office | Recycled | 10 | 16% | 10 | 16% | 10 | 16% | 10 | 16% | 0.0% |
| | Incineration with energy recovery | 55 | 84% | 55 | 84% | 55 | 84% | 55 | 84% | 0.0% |
| | Unknown | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | – |
| | Landfill | 0 | 0% | 0 | 0% | 0 | 0% | 0 | 0% | – |
| | Total | 65 | | 65 | | 65 | | 65 | | 0.0% |
| | Coverage (landlord-procured consumption) | 100% | | 100% | | 100% | | 100% | | |
| Office: Corporate: High-Rise Office | Recycled | 0.00 | – | 0.00 | – | 0.00 | – | 0.00 | – | – |
| | Incineration with energy recovery | 0.00 | – | 0.00 | – | 0.00 | – | 0.00 | – | – |
| | Unknown | 0.00 | – | 0.00 | – | 0.00 | – | 0.00 | – | – |
| | Landfill | 0.00 | – | 0.00 | – | 0.00 | – | 0.00 | – | – |
| | Total | 0.00 | | 0.00 | | 0 | | 0.00 | | – |
| | Coverage | – | | – | | – | | – | | |
| Industrial: Industrial Park | Recycled | 2 | 36% | 2 | 11% | 0 | – | 0 | – | – |
| | Incineration with energy recovery | 4 | 64% | 13 | 89% | 0 | – | 0 | – | – |
| | Unknown | 0 | 0% | 0 | 0% | 0 | – | 0 | – | – |
| | Landfill | 0 | 0% | 0 | 0% | 0 | – | 0 | – | – |
| | Total | 7 | | 14 | | 0 | | 0 | | – |
| | Coverage (landlord-procured consumption) | 100% | | 100% | | – | | – | | |
| Total | Recycled | 13 | 15.89% | 12 | 13.6% | 10 | 14.0% | 10 | 14.0% | 0.0% |
| | Incineration with energy recovery | 68 | 84.11% | 76 | 86.4% | 64 | 86.0% | 64 | 86.0% | 0.0% |
| | Unknown | 0 | 0.00% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | – |
| | Landfill | 0 | 0.00% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | – |
| | Total | 81 | | 88 | | 74 | | 74 | | 0.0% |
| | Coverage (landlord-procured consumption) | 100% | | 100% | | 100% | | 100% | | |

- Whilst zero waste is sent direct to landfill, a residual component of the 'recycled' and 'incineration with energy recovery' waste streams may end up in landfill.
- Like for like excludes assets that were purchased, sold, under refurbishment or subject to a significant change in the scope of reported data during the two years reported.
- Waste data relates to the managed portfolio only.
- Waste management procured directly by tenants is not reported.
- Reported data relates to non-hazardous waste only, robust tonnage data on the small quantities of hazardous waste produced is not available.

Other information (unaudited)

Sustainability Performance Measures (Environmental) (unaudited) continued

- Coverage (landlord-procured consumption) relates to the proportion of assets for which landlord obtained data has been reported.

Sustainability certification: Green building certificates (Cert-Tot)

The table below sets out the proportion of the Company's total portfolio with a Green Building Certificate by floor area.

| Rating | Portfolio by floor area |
|-------------------------------|-------------------------|
| (BREEAM In Use: Outstanding) | 0% |
| (BREEAM In Use: Excellent) | 0% |
| (BREEAM In Use: Very Good) | 0% |
| (BREEAM In Use: Good) | 30% |
| (BREEAM In Use: Pass) | 0% |
| (BREEAM In Use: Unclassified) | 0% |
| Coverage | 30% |

- Green building certificate records for the Company are provided as at 31 March 2023 by portfolio floor area.
- Data provided includes managed and non-managed assets (i.e. the whole portfolio).

Sustainability certification: Energy Performance Certificates (Cert-Tot)

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

| Energy performance certificates Rating | Portfolio by floor area |
|---|-------------------------|
| A+ | 1.4% |
| A | 7.3% |
| B | 16.7% |
| C | 11.8% |
| D | 18.3% |
| E | 1.3% |
| F | 9.4% |
| G | 0.0% |
| Exempt | 0.0% |
| No EPC | 33.8% |
| Total | 100.0% |
| Coverage | 100% |

- Energy Performance Certificate ('EPC') records for the Company are provided for the portfolio as at 31 March 2023 by portfolio floor area.
- Data provided includes the whole portfolio i.e. managed and non-managed assets.

Sustainability Performance Measures (Social)

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

The Schroders PLC Annual Report and Accounts for the 12 months to 31 December 2022 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://mybrand.schroders.com/m/50eb9de07f463077/original/Schroders_Annual-Report-and-Accounts_2022.pdf
- https://mybrand.schroders.com/m/f0e958d03af2f62/original/Schroders_Inclusion-Report_2022.pdf

Inclusion (including diversity and gender pay ratio)

As at 30 September 2023 the Company Board comprised four members: 1 (25% female); 3 (75% male).

The remuneration of the Company Board is set out on page 50 of this Report and Accounts document.

For further information on Schroders PLC employee gender diversity, female representation and pay covering more employee categories, please refer to Schroders 2022 Annual Report and Accounts (page 30):

- https://mybrand.schroders.com/m/50eb9de07f463077/original/Schroders_Annual-Report-and-Accounts_2022.pdf; and
- https://mybrand.schroders.com/m/f0e958d03af2f62/original/schroders_inclusion-report_2022.pdf/

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

Training and development (Emp-Training)

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

Employee performance appraisals (Emp-Dev)

Schroders performance management process requires annual performance objective setting and annual performance reviews for all staff. The Investment Manager confirms that performance appraisals were completed for 100% of investment staff relevant to the Company in 2022/23.

The following are reported for Schroders PLC:

Employee turnover and retention (Emp-Turnover)

For Schroders PLC turnover and retention rates please refer to Schroders Annual Report and Accounts (page 30): https://mybrand.schroders.com/m/50eb9de07f463077/original/Schroders_Annual-Report-and-Accounts_2022.pdf.

Other information (unaudited)

Sustainability Performance Measures (Social) continued

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 30 September 2023:

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

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

| | Portfolio by floor area (%) | |
|-----------------|-----------------------------|-------------|
| | 2021/22 | 2023/23 |
| All sectors | 100% | 100% |
| Coverage | 100% | 100% |

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

The table below sets out the number of incidents of non-compliance with regulations/and or voluntary codes identified across the landlord-controlled portfolio.

| | Number of incidents | |
|-----------------|---------------------|-------------|
| | 2021/22 | 2022/23 |
| All sectors | 0% | 0 |
| Coverage | 100% | 100% |

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

The table below sets out the proportion of the Company's total portfolio completed local community engagement, impact assessments and/or development programs.

| | Portfolio by number assets (%) | |
|---|--------------------------------|------------|
| | 2021/22* | 2022/23* |
| Retail: Retail Centres: Shopping Centre | 15% | |
| Retail: Retail Centres: Warehouse | | 12% |
| Office: Corporate: Mid-Rise Office | | 9% |
| Office: Corporate: High-Rise Office | | |
| Industrial: Industrial Park | | |
| Mixed use: Other | | 16% |
| Industrial: Manufacturing | | |
| Industrial, Non-Refrigerated Warehouse | 22% | 9% |
| Industrial: Manufacturing | | |
| Retail: Other | | |
| Total | 37% | 47% |

* Calculated using gross internal area ('GIA').

Sustainability Performance Measures (Governance)

Composition of the highest governance body (Gov-Board)

The Board of the Company comprised 4 non-independent directors (0 executive board members) as at 30 September 2023:

- The average tenure of the four directors to 30 September 2023 is 6 years and 9 months.
- The number of directors with competencies relating to environmental and social topics is 4/4 and their experience can be seen in their biographies.

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. The Committee also ensures the level of Directors' fees remain appropriate to attract candidates with relevant experience and knowledge and competitive with peers and market practice. 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 Conflicts of Interest Policy sets out the policy and procedures of the Board and the Company Secretary for the management of conflicts of interest: <https://www.schroders.com/en/identification-and-management-of-conflicts-of-interest/>

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

Streamlined Energy and Carbon Report

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

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

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

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

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

At 31 March 2023 the Company held five properties with operational control in total all of which are located in Continental Europe (i.e. outside of the UK and offshore area).

The Company is not directly responsible for any GHG emissions/energy usage at single let/Full Repairing and Insuring assets nor at multi-let assets where the tenant is counterparty to the energy contract. These emissions form part of the wider value chain (i.e. 'Scope 3') emissions, which are not required to be reported on and not monitored at present. As a real estate company with only one part time direct employee and no company owned vehicles as at 31 March 2023, energy consumption and emissions associated with travel and occupation of corporate offices is either not relevant or material to report. Fugitive emissions associated with refrigerant losses from air conditioning equipment are not typically collected and aggregated across portfolios by the industry, however over the next year will look to improve monitoring emissions associated with refrigerant losses.

In addition to reporting absolute energy consumption and GHG emissions, the Company has reported separately on performance within the 'like-for-like' portfolio, as well as providing intensity ratios, where appropriate. The like-for-like portfolio and intensity ratios include buildings where each of the following conditions is met:

- Owned for the full 24-month period (sales/acquisitions are excluded).
- No major renovation or refurbishment has taken place.
- At least 24 months' data is available.

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

For the intensity ratios, the denominator determined to be relevant to the business is square metres of gross internal area for most sectors, including Offices, Retail Warehouses and Industrial Parks. Intensity ratio is expressed as:

- Energy: kilowatt hours per metre square (gross internal area or common parts area) per year, or, kWh/m²/yr.
- GHG: kilograms carbon dioxide equivalent per metre square (gross internal area or common parts area) per year, or, kgCO₂e/m²/yr.

Energy consumption and greenhouse gas emissions

The table below sets out the Company's energy consumption.

| | Absolute energy (kWh) | | Like-for-like energy (kWh) | |
|-----------------------------------|--------------------------|------------------|-------------------------------|------------------|
| | 2021/22 | 2022/23 | 2021/22 | 2022/23 |
| Gas | 1,763,118 | 1,772,845 | 1,763,118 | 1,772,845 |
| Electricity | 1,267,938 | 1,209,411 | 1,188,857 | 1,207,629 |
| District heating/District cooling | 1,835,478 | 1,538,259 | 1,312,892 | 1,538,259 |
| Total | 4,866,534 | 4,520,514 | 4,264,867 | 4,518,732 |
| Change in energy | | (7%) | | 6% |

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

| | Absolute emissions (tCO ₂ e) | | Like-for-like emissions (tCO ₂ e) | |
|---|--|--------------|---|--------------|
| | 2021/22 | 2022/23 | 2021/22 | 2022/23 |
| Scope 1 (Direct emissions from gas consumption) | 324 | 324 | 324 | 324 |
| Scope 2 (Indirect emissions from electricity) | 838 | 697 | 682 | 697 |
| Total | 1,162 | 1,021 | 1,006 | 1,021 |
| Change in emissions | | (12%) | | 1% |

The like for like energy consumption for the 2022 fiscal year for the managed assets held within the Company has increased by 6%, the greenhouse gas emissions have increased by 1%.

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

| | Energy intensities (kWh per m ²) | | Emissions intensities (tCO ₂ e per m ²) | |
|-------------------------------------|---|---------|---|---------|
| | 2021/22 | 2022/23 | 2021/22 | 2022/23 |
| Retail: Retail Centres: Warehouse | 64 | 117 | 14 | 24 |
| Office: Corporate: Mid-Rise Office | 77 | 70 | 23 | 20 |
| Office: Corporate: High-Rise Office | 136 | 141 | 26 | 28 |
| Industrial: Industrial Park | 118 | 109 | 39 | 29 |

Streamlined Energy and Carbon Report continued

Methodology

- All energy consumption and GHG emissions reported occurred at the Company's assets all of which are located in Continental Europe (i.e. outside UK and offshore area).
- Energy consumption data is reported according to automatic meter reads, manual meter reads or invoice estimates. Historic energy and consumption data have been restated where more complete and or accurate records have become available. Where required, missing consumption data has been estimated through pro-rata extrapolation. Data has been adjusted to reflect the Company's share of asset ownership, where relevant.
- Data reported aligns with that reported under the EPRA Sustainability Reporting Performance Measures also disclosed within the Company's Report and Accounts. EPRA Sustainability Reporting Performance Measures have been assured by an independent third party, in accordance with AA1000 Assurance Standard. The short form Assurance Statement can be found on page 116.
- The Company's GHG emissions are calculated according to the principles of the Greenhouse Gas ('GHG') Protocol Corporate Standard.
 - The Company's Greenhouse Gas Emissions are reported as tonnes of carbon dioxide equivalent (tCO₂e), which includes the following emissions covered by the GHG Protocol (where relevant and available greenhouse gas emissions factors allow): carbon dioxide (CO₂), methane (CH₄), hydrofluorocarbons ('HFCs'), nitrous oxide (N₂O), perfluorocarbons ('PFCs'), sulphur hexafluoride (SF₆) and nitrogen trifluoride (NF₃).
 - GHG emissions from electricity (Scope 2) are reported according to the 'location-based' approach.
 - The following greenhouse gas emissions conversion factors and sources have been applied:

| Country | Emissions source | GHG emissions factor per kWh | Emissions factor data source |
|----------------------------------|-----------------------|------------------------------|--|
| France | Electricity 2021 | 0.0542kgCO ₂ e | CO ₂ Emissions from Fuel Combustion, International Energy Agency (2021), (2022) |
| | Electricity 2022 | 0.0514kgCO ₂ e | |
| | District Cooling 2022 | 0.247kgCO ₂ e | EVORA default district cooling carbon emission factor – National average factor for Germany. |
| Germany | Electricity 2021 | 0.3476kgCO ₂ e | CO ₂ Emissions from Fuel Combustion, International Energy Agency (2021), (2022) |
| | Electricity 2022 | 0.3127gCO ₂ e | |
| | District heating | 0.247kgCO ₂ e | EVORA default district heating carbon emission factor – National average factor for Germany. |
| The Netherlands | Electricity 2021 | 0.3678kgCO ₂ e | CO ₂ Emissions from Fuel Combustion, International Energy Agency (2021), (2022) |
| | Electricity 2022 | 0.3028kgCO ₂ e | |
| France, Germany, the Netherlands | Gas 2021 | 0.1840kgCO ₂ e | CRREM (2021), (2022) which aligns with DEGRA/BEIS |
| | Gas 2022 | 0.1830kgCO ₂ e | |

Energy Efficiency Actions**Environmental data management system and quarterly reporting**

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

Energy target, audits and improvement programme

The Investment Manager has an energy and GHG emissions performance reduction target to achieve 43% reduction in SREIT energy intensity by 2030 (2021 baseline – calculated on whole building performance from landlord-controlled assets). This is accompanied by a target of 15% reduction in GHG emissions intensity by 2030 (2021 baseline – calculated on whole building performance from landlord-controlled assets); this target is inclusive of decarbonisation of Germany's, France's and the Netherlands' electricity grid over recent years.

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

Energy performance improvement initiatives undertaken at several assets during the reporting period include LED upgrades, BMS upgrades to smarter systems, HVAC upgrades to efficient technologies. Energy audits to identify opportunities and to support the Energy Savings Opportunity Scheme compliance and energy demand monitoring programmes.

Recognising the need for the real estate industry to address its carbon impact The Investment Manager joined other members of the Better Buildings Partnership ('BBP') in September 2019 to sign the Member Climate Change Commitment, and in December 2020, published its 'Pathway to Net Zero Carbon' – which can be found https://www.schroders.com/en/sysglobalassets/email/uk/realestate/2020/schroder-real-estate-net-zero-carbon-pathway-december-2020_1621372_v1.pdf.

Renewable electricity tariffs and carbon offsets

The Investment Manager has an objective to procure 100% renewable electricity for all landlord-controlled supplies for which it has responsibility, which includes the assets of the Fund, by 2025. As at 31 March 2023, 81% of the Fund's landlord-controlled electricity was on renewable tariffs. No carbon offsets were purchased during the reporting period.

Assurance Summary Statement

S&P Global Sustainable1, a business of S&P Global Inc. ('Sustainable1') was engaged by Schroder Real Estate Investment Management Limited ('SREIM') to provide assurance of the EPRA sustainability content of the Schroder European Real Estate Investment Trust plc's ('SEREIT') Annual report and Consolidated Financial Statements 2023 (the 'Report'). The Report is prepared for the year ended 30 September 2023, however the EPRA sustainability data which forms part of this assurance pertains to the period 1 April 2022 to 31 March 2023.

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

- Absolute and Like-For-Like:
 - Electricity Consumption (kWh)
 - District Heating/cooling (kWh)
 - Fuels Consumption (kWh)
 - Water Consumption (m³)
 - Greenhouse Gas ('GHG') Emissions (tCO₂e)
 - Waste (tonnes)
- Intensity Calculations:
 - Energy (kWh/m²)
 - GHG (kgCO₂e/m²)
 - Water (m³/m²)
- Energy rating coverage (%)
- Green Building Certification coverage (%)
- Alignment check of SEREIT's reporting against EPRA sBPR Guidelines 2017 across all the performance measures.

Sustainable1's full assurance statement includes certain limitations, findings and recommendations for improvement, adherence to AA1000 Accountability Principles, and a detailed assurance methodology.

The full assurance statement with Sustainable1's independent opinion can be found at https://mybrand.schroders.com/m/740e9841acfa639d/original/SEREIT-EPRA-Annual-Report-Assurance-statement_Updated-Signed.pdf.



Glossary

| | |
|---|---|
| Admission | means the admission of the Company's ordinary shares to the premium segment of the Official List, to trading on the LSE's main market for listed securities, and to trading on the main board of the JSE on 9 December 2015. |
| AGM | means the Annual General Meeting of the Company. |
| Articles | means the Company's Articles of Association, as amended from time to time. |
| Companies Act | means the Companies Act 2006, as amended. |
| Company | is Schroder European Real Estate Investment Trust plc. |
| Directors | means the Directors of the Company as at the date of this document and their successors and 'Director' means any one of them. |
| Disclosure Guidance and Transparency Rules | means the disclosure guidance and transparency rules made by the FCA under Part VII of the UK Financial Services and Markets Act 2000, as amended. |
| Earnings per share ('EPS') | is the profit after taxation divided by the weighted average number of shares in issue during the period. Diluted and Adjusted EPS per share are derived as set out under NAV. |
| Estimated rental value ('ERV') | is the Group's external valuers' reasonable opinion as to the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of a property. |
| EPRA | is the European Public Real Estate Association. |
| EPRA earnings | represents the net income generated from the operational activities of the Group. It excludes all capital components not relevant to the underlying net income performance of the portfolio, such as the realised and unrealised fair value gains or losses on investment properties, and debt instruments, and unrealised gains or losses on currency translation. |
| FCA | is the UK Financial Conduct Authority. |
| Gearing | is the Group's net debt as a percentage of net assets. |
| Group | is the Company and its subsidiaries. |
| Initial yield | is the annualised net rents generated by the portfolio expressed as a percentage of the portfolio valuation. |
| Interest cover | is the number of times Group net interest payable is covered by Group net rental income. |
| IPO | is the initial placing and offer made pursuant to a prospectus dated 11 November 2015. |
| JSE | is JSE Limited. |
| Loan to value ('LTV') | is a ratio which expresses the gearing on an asset or within a company or Group by dividing the outstanding loan amount by the value of the assets on which the loan is secured. |
| LSE | is the London Stock Exchange. |
| Listing rules | means the listing rules made by the FCA under Part VII of the UK Financial Services and Markets Act 2000, as amended. |
| Net Asset Value ('NAV') | is the total assets' value minus total liabilities. |
| NAV total return | is calculated taking into account the timing of dividends, share buybacks and issuance. |
| Net rental income | is the rental income receivable in the period after payment of ground rents and net property outgoings. |
| Passing rent | is the annual rental income currently receivable on a property as at the Balance Sheet date. This excludes rental income for rent free periods currently in operation and service charge income. |
| WAULT | is the weighted average unexpired lease term. This is the average time remaining to the next lease break date or lease expiry date. |

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 Monday, 18 March 2024 at 12.00 p.m. at 1 London Wall Place, London EC2Y 5AU. The formal Notice of Meeting is set out on pages 120 to 125. The following paragraphs explain the special business to be put to the AGM.

Special Business

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

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

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

Appropriate resolutions will be proposed at the forthcoming AGM and are set out in full in the Notice of AGM. An ordinary resolution will be proposed to authorise the Directors to allot shares up to a maximum aggregate nominal amount of £1,337,346.86 (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 £1,337,346.86 (being 10% of the Company's issued share capital as at the date of the Notice of the AGM). This authority includes shares that the Company sells or transfers that have been held in treasury. The Board has established guidelines for treasury shares and will only reissue shares held in treasury at a price equal to or greater than the Company's net asset value (inclusive of current year income) plus any applicable costs.

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

If approved, both of these authorities will expire at the conclusion of the AGM in 2025 unless renewed, varied or revoked earlier.

Resolution 12 – Authority to make market purchases of the Company's own shares (special resolution)

At the AGM held on 2 February 2023, the Company was granted authority to make market purchases of up to 20,046,829 ordinary shares of 10 pence each for cancellation or holding in treasury. No ordinary shares have been bought back under this authority and the Company therefore has remaining authority to purchase up to 20,046,829 ordinary shares. This authority will expire at the forthcoming AGM.

The Directors believe it is in the best interests of the Company and its shareholders to have a general authority for the Company to buy back its ordinary shares in the market as they keep under review the share price discount to net asset value and the purchase of ordinary shares. A special resolution will be proposed at the forthcoming AGM to give the Company authority to make market purchases of up to 14.99% of the ordinary shares in issue as at the date of the Notice of the AGM. The Directors will exercise this authority only if the Directors consider that any purchase would be for the benefit of the Company and its shareholders, taking into account relevant factors and circumstances at the time. Any ordinary shares so purchased would be held in treasury. If renewed, the authority to be given at the 2024 AGM will lapse at the conclusion of the AGM in 2025 unless renewed, varied or revoked earlier.

Resolution 13 – Notice period for general meetings (special resolution)

Resolution 13 set out in the Notice of AGM is a special resolution and will, if passed, allow the Company to hold general meetings (other than annual general meetings) on a minimum notice period of 14 clear days, rather than 21 clear days as required by the Companies Act 2006. The approval will be effective until the Company's next AGM to be held in 2025. The Directors will only call general meetings on 14 clear days' notice when they consider it to be in the best interests of the Company's shareholders and will only do so if the Company offers facilities for all shareholders to vote by electronic means and when the matter needs to be dealt with expediently.

Recommendation

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

Sir Julian Berney Bt.

Chairman

5 December 2023

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 Monday, 18 March 2024 at 12.00 p.m. at 1 London Wall Place, London EC2Y 5AU to consider the following resolutions of which resolutions 1 to 10 will be proposed as ordinary resolutions and resolutions 11 to 13 will be proposed as special resolutions:

Ordinary Business

1. To receive the Report of the Directors and the audited accounts for the year ended 30 September 2023.
2. To approve the Directors' Remuneration Report for the year ended 30 September 2023.
3. To re-elect Sir Julian Berney Bt. as a Director of the Company.
4. To elect Mr Mark Beddy as a Director of the Company.
5. To re-elect Mr Mark Patterson as a Director of the Company.
6. To re-elect Ms Elizabeth Edwards as a Director of the Company.
7. To appoint Ernst & Young LLP as Auditor to the Company.
8. To authorise the Directors to determine the remuneration of Ernst & Young LLP as Auditor to the Company.
9. To approve the Company's dividend policy as set out on page 42 of the Annual Report and Accounts for the year ended 30 September 2023.

Special Business

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

'That in substitution for all existing authorities the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers of the Company to allot relevant securities (within the meaning of section 551 of the Act) up to an aggregate nominal amount of £1,337,346.86 (being 10% of the issued ordinary share capital, at the date of this Notice) for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the next Annual General Meeting of the Company, but that the Company may make an offer or agreement which would or might require relevant securities to be allotted after expiry of this authority and the Board may allot relevant securities in pursuance of that offer or agreement.'

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

'That, subject to and conditional on the passing of Resolution 10 set out above, the Directors be and are hereby empowered, pursuant to sections 570 and 573 of the Act, to allot or sell equity securities (including any ordinary shares held in treasury) (as defined in section 560(1) of the Act) pursuant to the authority given in accordance with section 551 of the Act by Resolution 10 and/or where such allotment constitutes an allotment of equity securities by virtue of section 560(2) of the Act as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £1,337,346.86 (representing 10% of the aggregate nominal amount of the share capital in issue at the date of this Notice); and provided that this power shall expire at the conclusion of the next Annual General Meeting of the Company but so that this power shall enable the Company to make offers or agreements before such expiry which would or might require equity securities to be allotted after such expiry.'

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

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

- a. The maximum number of Shares which may be purchased is 20,046,829, representing 14.99% of the Company’s issued ordinary share capital as at the date of this Notice;
- b. The maximum price (exclusive of expenses) which may be paid for a Share shall not exceed the higher of:
 - i. 105% of the average of the middle market quotations for the Shares as taken from the London Stock Exchange Daily Official List for the five business days preceding the date of purchase; and
 - ii. the higher of the last independent bid and the highest current independent bid on the London Stock Exchange;
- c. The minimum price (exclusive of expenses) which may be paid for a Share shall be 10 pence, being the nominal value per Share;
- d. This authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company in 2025 (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.’

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

‘That a general meeting, other than an Annual General Meeting, may be called on not less than 14 clear days’ notice.’

By order of the Board

For and on behalf of

Schroder Investment Management Limited

Registered Number: 09382477

Registered Office: 1 London Wall Place, London EC2Y 5AU

5 December 2023

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 you may photocopy the attached proxy form. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. Completion and return of a form of proxy will not preclude a member from attending the Annual General Meeting and voting in person.

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

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

A proxy form must be signed and dated by the shareholder or his or her attorney duly authorised in writing. In the case of joint holdings, any one holder may sign this form. The vote of the senior joint holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder and for this purpose seniority will be determined by the order in which the names appear on the Register of Members in respect of the joint holding. To be valid, proxy form(s) must be completed and returned to the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, in the enclosed envelope together with any power of attorney or other authority under which it is signed or a copy of such authority certified notarially, to arrive no later than 48 hours before the time fixed for the meeting, or an adjourned meeting. Shareholders may also appoint a proxy to vote on the resolutions being put to the meeting electronically at www.sharevote.co.uk. Shareholders who are not registered to vote electronically will need to enter the Voting ID, Task ID and Shareholder Reference Number set out in their personalised proxy form. Alternatively, shareholders who have already registered with Equiniti's Shareview service can appoint a proxy by logging onto their portfolio at www.shareview.co.uk using their user ID and password. Once logged in click 'View' on the 'My Investments' page and click on the link to vote. The on-screen instructions give details on how to complete the appointment process. Please note that to be valid, your proxy instructions must be received by Equiniti no later than 12.00 p.m. on Thursday, 14 March 2024. If you have any difficulties with online voting, you should contact the shareholder helpline on 0800 032 0641. 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 Thursday, 14 March 2024, 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 Thursday, 14 March 2024 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. If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 12.00 p.m. on Thursday, 14 March 2024 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.
5. Copies of the terms of appointment of the non-executive Directors and a statement of all transactions of each Director and of his family interests in the shares of the Company, will be available for inspection by any member of the Company at the registered office of the Company during normal business hours on any weekday (English public holidays excepted) and at the Annual General Meeting by any attendee, for at least 15 minutes prior to, and during, the Annual General Meeting. None of the Directors has a contract of service with the Company.
6. The biography of the Directors offering themselves for re-election is set out in the Company's Annual Report and Accounts for the year ended 30 September 2023.
7. As at 5 December 2023, 133,734,686 ordinary shares of 10 pence each were in issue (no shares were held in treasury). Therefore the total number of voting rights of the Company as at 5 December 2023 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 web page, www.schroders.co.uk/sereit.
9. Pursuant to section 319A of the Companies Act 2006, the Company must cause to be answered at the Annual General Meeting any question relating to the business being dealt with at the Annual General Meeting which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered or if to do so would involve the disclosure of confidential information.
10. Members satisfying the thresholds in section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to: (a) the audit of the Company's accounts (including the Auditor's Report and the conduct of the audit) which are to be laid before the Annual General Meeting; or (b) any circumstances connected with an auditor of the Company ceasing to hold office since the last Annual General Meeting, that the members propose to raise at the Annual General Meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement required to be placed on the website must also be sent to the Company's auditor no later than the time it makes its statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required to publish on its website.

Explanatory Notes to the Notice of Meeting continued

11. Any corporation which is a member can appoint one or more corporate representatives. Members can only appoint more than one corporate representative where each corporate representative is appointed to exercise rights attached to different shares. Members cannot appoint more than one corporate representative to exercise the rights attached to the same share(s).
12. The Company's privacy policy is available on its website. Shareholders can contact Equiniti for details of how Equiniti processes their personal information as part of the AGM.

Information for shareholders on the South Africa register

Certificated shareholders and own-name registered dematerialised shareholders

1. Each shareholder is entitled to appoint one or more proxies (none of whom need be a shareholder of the Company) to attend, speak, vote or abstain from voting in place of that shareholder at the Annual General Meeting of shareholders.
2. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting 'the Chairman of the Meeting,' but any such deletion must be initialled by the shareholder. The person whose name stands first on the form of proxy and who is present at the Annual General Meeting of shareholders will be entitled to act as proxy to the exclusion of those whose names follow.
3. Forms of proxy must be lodged with or posted to the transfer secretaries, Computershare Investor Services (Pty) Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (Private Bag X9000, Saxonwold 2132, South Africa), faxed to +27 11 688 5238 or emailed to proxy@computershare.co.za to be received by no later than 2.00 p.m. (Johannesburg time) on Thursday, 14 March 2024.
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 the form of proxy in a representative capacity (e.g. for a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to the form of proxy unless previously recorded by the Company or its transfer secretaries or waived by the Chairman of the Meeting.

12. Where a form of proxy is signed under power of attorney, such power of attorney must accompany this form of proxy, unless it has previously been registered with the Company or the transfer secretaries.
13. Where there are joint holders of shares and if more than one such joint holder is present or represented thereat, then the person whose name appears first in the register of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof.
14. Where shares are held jointly, all joint holders are required to sign.
15. A minor must be assisted by his/her parent or guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries of the Company.

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

16. Dematerialised shareholders who have not selected 'own-name' registration and who wish to attend the Annual General Meeting or to vote by way of proxy, must advise their central securities depository ('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

Web pages and share price information

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

Share price information may be found in the Financial Times and on the Company's web pages.

Association of Investment Companies

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

ISA status

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

Non-mainstream pooled investments status

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

Alternative Investment Fund Managers Directive ('AIFMD') disclosures

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

Remuneration disclosures

The information required under the AIFMD to be made available to investors in the Company on request in respect of remuneration paid by the AIFM to its staff, and, where relevant, carried interest paid by the Company, can be found on the Company's web pages.

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 web pages. The calculation of figures and performance scenarios contained in the KID have been neither set nor endorsed by the Board.

Corporate Information

Directors

Sir Julian Berney Bt.
Jonathan Thompson
Mark Patterson
Elizabeth Edwards

Investment Manager

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

Registered Office

1 London Wall Place
London EC2Y 5AU

Company Secretary

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

Solicitors to the Company

Stephenson Harwood LLP
1 Finsbury Circus
London EC2M 7SH

Independent Auditor

Ernst & Young LLP
25 Churchill Place
London E14 5EY

Property Valuers

Knight Frank LLP
55 Baker Street
London W1U 8AN



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Printed by a Carbon Neutral Operation (certified: CarbonQuota) under the PAS2060 standard.

Printed on material from well-managed, FSC™ certified forests and other controlled sources. This publication was printed by an FSC™ certified printer that holds an ISO 14001 certification.

100% of the inks used are HP Indigo ElectroInk which complies with RoHS legislation and meets the chemical requirements of the Nordic Ecolabel (Nordic Swan) for printing companies, 95% of press chemicals are recycled for further use and, on average 99% of any waste associated with this production will be recycled and the remaining 1% used to generate energy.

The paper is Carbon Balanced with World Land Trust, an international conservation charity, who offset carbon emissions through the purchase and preservation of high conservation value land. Through protecting standing forests, under threat of clearance, carbon is locked-in, that would otherwise be released.

Dealing Codes

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SEDOL: BY7R8K7
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Ticker (JSE): SCD

Global Intermediary Identification Number ('GIIN'):

SU6VCJ.99999.SL.826

Legal Entity Identifier ('LEI'):

549300BHT1Z8NI4RLD52

JSE Sponsor

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

Corporate Broker – UK

Panmure Gordon (UK) Limited
1 New Change
London EC4M 9AF

Transfer Secretary

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

Registrar

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Shareholder Helpline:
0800 032 0641¹
Website: www.shareview.co.uk

¹ Calls to this number are free of charge from UK landlines.

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



Schroders

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Management Limited**

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