Schroder European Real Estate Investment Trust plc
(Incorporated in England and Wales)
Registration number: 09382477
JSE Share Code: SCD
LSE Ticker: SERE
ISIN number: GB00BY7R8K77
("**Company**")

FULL YEAR RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2023

DIVERSIFIED EUROPEAN PORTFOLIO'S INDEXATION CHARACTERISTICS DRIVES 31% GROWTH IN EARNINGS AND FULLY COVERED DIVIDEND

Schroder European Real Estate Investment Trust plc, the company investing in European growth cities and regions, announces its full year results for the year ended 30 September 2023.

Portfolio indexation and low-cost fixed rate debt supporting earnings growth; low LTV and significant investment firepower:

- NAV of €171.4 million or 128.2 cps (30 September 2022: €188.2 million or 140.8 cps), reflecting the impact that challenging economic and geo-political risks have had on asset valuations;
- Net Asset Value ("**NAV**") total return of -5.0% based on an IFRS loss of €9.4 million (30 September 2022: 7.3% total return / €13.9 million IFRS profit);
- Underlying EPRA earnings increased 31% to €8.0 million, or 6.0 cps (30 September 2022: €6.1 million, or 4.5 cps), driven by rental growth and income from recently acquired Alkmaar asset underpinned by low cost, fixed rate debt position;
- Completed two refinancings on highly competitive terms and repayment of a third debt facility, extending average loan maturity by 20 months to 2.6 years;
- Low average interest cost of 2.9%, with 100% fixed or hedged against interest rate movements; and
- Robust balance sheet, with low Loan to Value of 24% (net of cash) and c.€30 million of cash providing significant investable capacity.

Quarterly dividend fully covered by EPRA earnings:

- Dividends declared for the year totalling 6.66 cps (FY22: 7.40 cps), with dividends declared in the six months to 30 September 2023 106% covered by EPRA earnings.

Yield expansion partially offset by contracted rental growth; alignment with structurally supported sectors driving higher occupancy and rent collection:

- Direct property portfolio independent valuation declined -8.5% to €214.1 million, (or €18.5 million net of capex), reflecting between a 50 to 200 bps of outward yield shift, driven by economic and geo-political uncertainty, investor re-pricing of risk and the availability and cost of debt;
- Increased portfolio exposure to high growth industrial sector with c. €11 million acquisition of an award-winning property in Alkmaar, the Netherlands, with excellent sustainability credentials and an exceptional income profile given the 20 year term, covenant strength and 5.6% net initial yield;
- Maintained high portfolio occupancy level of 97%, with an average portfolio lease term to break of 3.9 years;
- 100% of rent due collected;
- 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; and
- Further improvement to the portfolio's sustainability credentials, with GRESB score improving from 83 to 85, maintaining 4-star rating.

Sir Julian Berney Bt., Chairman, commented:
"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 attractive portfolio income characteristics, exposure to high growth sectors and pipeline of asset management activity should contribute to further earnings growth and enable us to progress the dividend over time."

Jeff O'Dwyer, Fund Manager for Schroder Real Estate Investment Management Limited, added:
"Our operational asset management expertise and diversified investment strategy centred on liquid growth cities has helped to drive earnings and offset macroeconomic volatility-led value erosion. We have remained prudent, retaining cash and maintaining a low LTV. Coupled with the decision to rebase the dividend and move to full cover, the company is in a strong position. We continue to have conviction that investments with green certification will outperform and that poorer quality assets will become increasingly obsolete and illiquid."

The Annual Report and Accounts are also being published in hard copy format and an electronic copy of that document will shortly be available to download from the Company's webpage www.schroders.co.uk/sereit.

Short-form announcement

This short-form announcement is the responsibility of the directors of the Company. It contains only a summary of the information in the full accounts ("Full Accounts") and does not contain full or complete details. The Full Accounts can be found at:

https://senspdf.jse.co.za/documents/2023/JSE/ISSE/SCDE/SEREITFY23.pdf

Any investment decisions by investors and/or shareholders should be based on consideration of the Full Accounts, as a whole.

The Full Accounts have been audited by the Company's auditors, Ernst & Young LLP who expressed an unmodified audit opinion thereon. This auditor's report is available, along with the Full Accounts, on the Company's website at www.schroders.co.uk/sereit.

A further announcement will be made shortly to confirm the full timetable of the fourth interim dividend.

A presentation for analysts and investors will be held at 9 a.m. GMT/11 a.m. SAST today. Registration for which can be accessed via:

https://registration.duuzra.com/form/SEREAnnual23

If you would like to attend, please contact James Lowe at Schroders on james.lowe@schroders.com or +44 (0)20 7658 2083.

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Chairman's Statement

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 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 continue 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 that 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 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. 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

Investment Manager's Report

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 of this announcement.

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.

Our strategy

Investment objective

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

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 active 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.

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.

Portfolio Overview

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 properties[1]

15

Portfolio value[1,2]

€243.0m

Number of tenants[1]

47

Occupancy[1]

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

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).

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 portfolio[1].

Top Ten Tenants

Rank	Tenant	Industry	Property	Contracted rent €m	Contracted rent % of total	WAULT break (yrs)	WAULT expiry (yrs)
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.

Rent collection update[1]

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 2023	Office 2022	Industrial 2023	Industrial 2022	Retail 2023	Retail 2022	Mixed 2023	Mixed 2022	Total portfolio 2023	Total portfolio 2022
Paid	99.3%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	99.8%	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%**	**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:

France

100% of leases subject to annual review and fully index-linked subject to Indice des loyers des activités tertiaries ('ILAT')

The Netherlands

100% of leases are subject to annual review and are index-linked to the Netherlands CPI with:

- 87% of leases being fully index-linked; and
- 13% of leases being fully indexed up to 2.5% annual inflation and partially (25%–50%) thereafter.

Germany

96% of leases are linked to the German CPI, with:

- 31% being fully index-linked; and
- a further 65% being subject to a '10% hurdle' after which cumulative inflation is added to leases.

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 default 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 Hypothekenbank 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

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
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.	The Board seeks to mitigate these risks by: ○ Diversification of its property portfolio through its investment restrictions and guidelines which are monitored and reported on by the Investment Manager. ○ 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.
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.	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. The portfolio also benefits from a high percentage (approximately 100%) of inflation-linked leases which contributes to rental growth and mitigates value declines. 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.
Sustainability 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	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

Principal risks	Mitigation of risk
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).	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. The Board regularly reviews the objectives and progress of the Sustainability programme. 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. 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.
Valuation Property valuations are inherently subjective and uncertain, due to the individual nature of each property and its liquidity, particularly under stressed market conditions. 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.	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.
Gearing and leverage The Company utilises credit facilities. These arrangements increase the funds available for investment through borrowing. While this has the potential to enhance investment returns in rising markets, in falling markets the impact and availability of financing could be detrimental to performance and may also result in potential non-compliance with loan covenants or refinancing risk.	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. 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. 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.
Regulatory compliance 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.	The Board has appointed the Investment Manager as its Alternative Investment Fund Manager ('AIFM') in accordance with the Alternative Investment Fund Managers Directive ('AIFMD'). 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. The Board is satisfied that the Investment Manager hasadequate procedures in

Principal risks	Mitigation of risk
	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.

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

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

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:					
Other comprehensive (loss)/income items that may be reclassified to profit or loss:					
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

	Not e	**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	(6,351)	–	–
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)	(25,207)	(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.

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.

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, other than investment property but 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

Historically inter-company loans between the Company and its subsidiaries 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.

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: €2,198,0000). 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 SEREIT 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.

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

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.

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.

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	33.16–125.09	108.12–154.66	118.63–158.07	33.16–158.07
	Weighted average[2]	63.79	121.09	138.22	107.73

Gross ERV € per sqm per annum	Range	42.00–110.30	101.58–162.27	79.93–234.01	42.00–234.01
	Weighted average[2]	63.20	118.50	181.29	126.33
Net initial yield[3] (%)	Range	5.42–9.54	5.76–5.79	4.02–17.09	4.02–17.09
	Weighted average[2]	6.35	5.77	6.60	6.35
Equivalent yield (%)	Range	5.57–9.76	5.36–5.40	3.87–13.38	3.87–13.38
	Weighted average[2]	5.94	5.39	7.17	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 €8.8m. 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.

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 Sàrl	Luxembourg	100%	15, Boulevard F.W. Raiffeisen, 2411
SEREIT Holdings Sàrl	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 Sàrl	Luxembourg	100%	15, Boulevard F.W. Raiffeisen, 2411
SEREIT Hamburg Sàrl	Luxembourg	100%	15, Boulevard F.W. Raiffeisen, 2411
SEREIT Stuttgart Sàrl	Luxembourg	100%	15, Boulevard F.W. Raiffeisen, 2411
SEREIT Frankfurt Sàrl	Luxembourg	100%	15, Boulevard F.W. Raiffeisen, 2411
SCI SEREIT Directoire	France	100%	8–10 Rue Lamennais, 75008 Paris
SEREIT Apeldoorn Sàrl	Luxembourg	100%	15, Boulevard F.W. Raiffeisen, 2411
SEREIT UV Sàrl	Luxembourg	100%	15, Boulevard F.W. Raiffeisen, 2411
SEREIT Alkmaar Sàrl	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	**–**	**–**

Summarised joint venture financial information:	2023 €'000	2022 €'000
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).

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 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.

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.

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.

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:

The Group as a lessor	30/09/2023 €'000	30/09/2022 €'000
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.

The Company has a primary listing on the London Stock Exchange and a secondary listing on the JSE Limited.

London
6 December 2023

Sponsor
PSG Capital