SCHRODER EUROPEAN REAL ESTATE INVESTMENT TRUST PLC

Half Year Report and Condensed Consolidated Interim Financial Statements

For the six month period ended 31 March 2022

Schroders

About us

Investment objective and purpose

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

Company summary

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

For professional advisers and employee benefits consultants only

Rennes, France

Highlights

For the six month period to 31 March 2022

€247.9m[1,2]

Like-for-like portfolio valuation increase of 4.0%, or €8.0 million net of capex, over six months

4.8%/9.2%

Real estate total return of 4.8% over the six months and 9.2% over 12 months

€4.9m/3.7cps

Ordinary dividends declared of €4.9 million/3.7 euro cps for the period

€36.9m

Significant cash reserves and potential investable fire power exceeding €50 million including debt

€12.7m/9.5cps

Special dividend of €6.4 million/4.75 euro cps paid in the period and an additional second special dividend of €6.4 million declared

18%[1]

LTV net of cash of 18% /LTV gross of cash 28%

5.5%/9.3%

NAV total return of 5.5% over six months and 9.3% over 12 months

€10.9m

IFRS profit of €10.9 million

Why Invest

- A unique and compelling opportunity to invest in a diversified portfolio of commercial Continental European real estate
- No real estate exposure to Eastern Europe
- Income considered to be a strong inflation hedge given annual indexation
- The Company aims to deliver an annual dividend of 7.4 euro cps
- A c.6% dividend yield based on the share price as at 15 June 2022
- Dividend yield enhanced by a special dividend to be paid
- Significant investable firepower with local teams across Europe with specialist sector and country knowledge
- 100% of the portfolio by value located in higher-growth regions
- A track record of successfully executing on asset management initiatives to generate strong shareholder returns

Global Real Estate Sustainability Benchmark ('GRESB') three green star rating

1 Includes available cash of €36.9 million (internally calculated).
2 Excludes the Seville property for which the NAV exposure is NIL.

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At a Glance
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]

13

Portfolio value[1,2]

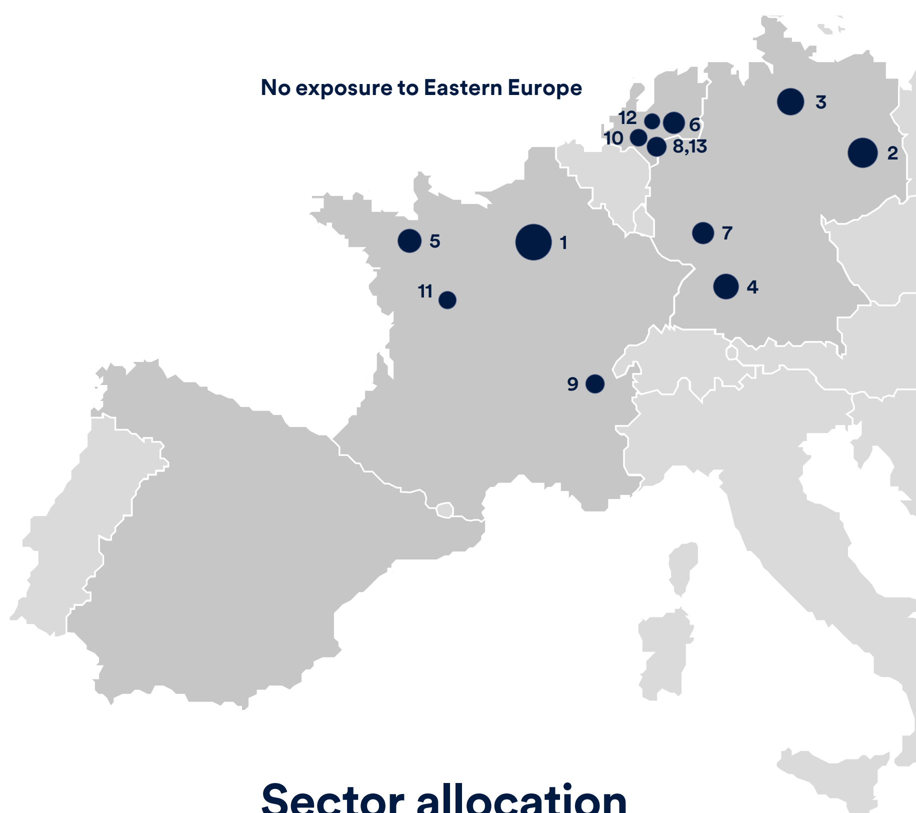
€247.9m

Number of tenants[1]

44

Occupancy[1]

95%



Top ten properties

	Property	Sector	Value (€m / % portfolio)[1,2]
1	France, Paris (Saint-Cloud)	Office	€41.3m / 17%
2	Germany, Berlin	Retail/DIY	€31.1m / 12%
3	Germany, Hamburg	Office	€25.4m / 10%
4	Germany, Stuttgart	Office	€21.6m / 9%
5	France, Rennes	Industrial	€21.2m / 9%
6	Netherlands, Apeldoorn	Mixed	€17.4m / 7%
7	Germany, Frankfurt	Retail/grocery	€11.7m / 5%
8	Netherlands, Venray	Industrial	€11.5m / 4%
9	France, Rumilly	Industrial	€10.5m / 4%
10	Netherlands, Houten	Industrial	€8.1m / 3%

Remaining three properties shown on the map are:

11 France, Nantes – Industrial
12 Netherlands, Utrecht – Industrial
13 Netherlands, Venray II – Industrial

Sector allocation

Sector	Weighting[1,2]
Office	36%
Industrial	25%
Retail (DIY and grocery)	17%
Mixed/data centre	7%
Cash	15%

1 Excludes the Seville property for which the NAV exposure is nil.
2 Includes available cash of €36.9 million (internally calculated).

Sectors[1,2]

Office

36% (2021: 33%)

Stuttgart, Germany

The Company focuses on sub-markets that are: supply constrained; benefiting from competing demands for uses; and where rents are modest and sustainable. Our office exposure is in the established sub-markets of Paris, Hamburg and Stuttgart. We continue to evaluate the changing office requirements which include a shift towards home working and a heightened ESG focus.

Industrial warehousing

25% (2021: 22%)

Venray, Netherlands

The Company's investments comprise both logistics and industrial warehousing, leased to a variety of tenants in manufacturing, services and third-party logistics. All assets are in established warehouse locations such as Venray, Houten and Utrecht in the Netherlands and Rumilly, Nantes and Rennes in France which benefit from supply constraints and rental growth prospects.

Retail

17% (2021: 21%)

Frankfurt, Germany

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

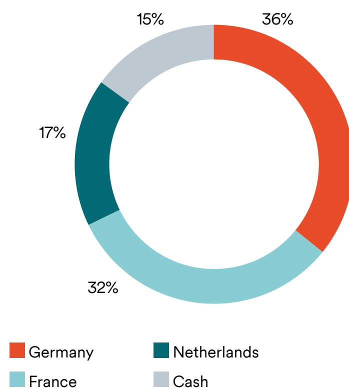
Mixed

7% (2021: 7%)

Apeldoorn, Netherlands

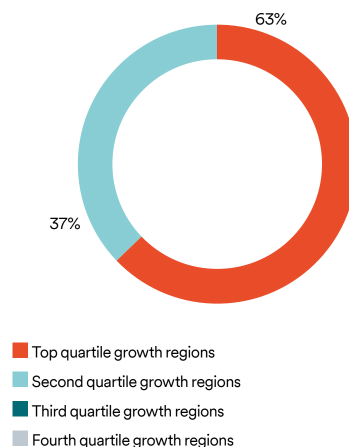
The Company owns a mixed-use data centre and office building located in Apeldoorn, one hour from Amsterdam. The asset provides stable income from a long-term lease let to a strong covenant and options to redevelop for an alternative use.

Portfolio country allocation[1,2]

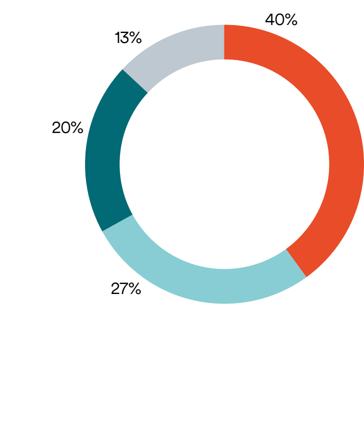


Germany
Netherlands
France
Cash

SEREIT capital value[3]



Investment universe capital value[3]



Top quartile growth regions
Second quartile growth regions
Third quartile growth regions
Fourth quartile growth regions

1 Excludes the Seville property for which the NAV exposure is nil.
2 Includes available cash of €36.9 million (internally calculated).
3 Investment universe consisting of 851 NUTS3 regions. Data based on Oxford Economics' annual GDP growth forecasts end-2021–end 2022.

Investment Approach

A DISCIPLINED INVESTMENT APPROACH

We recognise that long-term returns from commercial real estate are driven principally by good quality income and income growth.

Our investment approach combines three principal factors:

(1) Integrated research to identify those regions, sectors and investment themes which are expected to generate attractive returns;

(2) A detailed business plan-led approach which aims to unlock value from each portfolio asset; and

(3) A sustainable approach which is beneficial to our tenants, local communities, and thereby portfolio performance.

Mega themes

1. Rapid urbanisation

2. Demographics

3. Technology

4. Resources and infrastructure

5. Impact investment

We expect that the long-term impact of Covid-19 for commercial real estate will be to accelerate certain structural changes which were already underway, including e-commerce, technology advances, operational importance, the review of supply chain management and the adoption of flexible office working. We believe the relevance of cities will continue to thrive in the longer term and achieve stronger growth.

Apeldoorn, Netherlands

Research

Research is focused on cyclical and structural trends in order to determine market strategy and exploit mispricing. Occupier demand is increasingly concentrated in 'Winning Cities and Regions' that offer a competitive advantage in terms of higher levels of Gross Domestic Product ('GDP') and should, therefore, generate higher real estate returns.

Thematic investment

Thematic investment driven by macro-trends but focused on segments where a hospitality mindset, coupled with local operational asset management expertise, can deliver impact, sustainability and alpha.

- Operational – hospitality mindset, business understanding, flexibility.
- Flexibility – flexible leases, shorter-term, turnover rents.
- The growth and investment in life sciences and universities.
- Rise of e-commerce and changing consumption – last mile industrial/warehousing close to major cities.

Sustainable investment

Schroder Real Estate is committed to acting in a responsible way for the good of clients, employees and the wider community in order to secure a long-term sustainable future. We believe that a sustainable investment programme should deliver enhanced returns to investors, improved business performance to tenants and tangible positive impacts to local communities and wider society.

Environmental, social and governance ('ESG') and sustainability are embedded within our investment process and apply to all aspects of real estate investment, including acquisition due diligence, asset management, property management provided by third parties, refurbishments and developments. Schroder Real Estate has developed its 'Sustainable Real Estate with Impact' investment programme. This programme links our key impact pillars to the UN Sustainable Development Goals. We use these pillars to consider impacts for funds and assets.

Winning Cities and Regions

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

- Differentiated economy: Globally facing, financial services, TMT hubs, life sciences and value add manufacturing.
- Infrastructure improvements: Transport, distribution, energy and technology.
- Employment growth: High-value new jobs, wealth effect and population growth.
- Environment: Live and work, tourism and amenities, universities, cathedral cities, dominant retail and leisure.

Business plan-led approach

Our starting point is our annual fund strategy statement which defines our activities over the coming three to five years and identifies key objectives at both fund and asset level. Our aim is to deliver incremental outperformance year-on-year.

We aim to generate the majority of the target outperformance through good stock selection and active asset management.

Each asset is managed in accordance with its individual business plan. The business plan is the focal point for identifying and implementing the active management strategies that will maximise returns.

Performance Summary

Property performance	31 March 2022	31 March 2021	30 September 2021
Value of property assets[1]	**€211.0m**	€187.8m	€201.1m
Annualised rental income[1]	**€14.3m**	€13.4m	€14.3m
Estimated market rental value[1]	**€14.0m**	€13.0m	€13.8m
Underlying portfolio total return in the reporting period	**4.8%**	2.4%	6.6%
Underlying portfolio income return in the reporting period	**1.9%**	2.4%	4.9%

Financial summary	31 March 2022	31 March 2021	30 September 2021
NAV	**€199.1m**	€197.1m	€199.5m
NAV per ordinary share (euro)	**148.8c**	147.4c	149.2c
NAV total return (euro)	**5.5%**	(0.4)%	3.2%
IFRS profit/(loss) after tax	**€10.9m**	€(0.7)m	€6.2m
EPRA earnings[1,5]	**€2.5m**	€2.8m	€6.6m
Dividend cover	**50%**	61%	69%

Capital values[2]	31 March 2022	31 March 2021	30 September 2021
Share price	**115 pps/ZAR 21.0**	97.8 pps/ZAR 20.6	104.0 pps/ZAR 21.8
IFRS NAV per share	**125.5 pps/ZAR 24.1**	125.4 pps/ZAR 25.6	128.2 pps/ZAR 25.9

Earnings and dividends[3]	31 March 2022	31 March 2021	30 September 2021
IFRS earnings	**8.1 cps**	(0.6) cps	4.7 cps
EPRA earnings[5]	**1.9 cps**	2.1 cps	4.9 cps
Headline earnings[5]	**1.9 cps**	2.1 cps	4.9 cps
Ordinary dividends declared	**3.7 cps**	3.4 cps	7.1 cps
Special dividend declared	**4.8 cps**	–	4.8 cps

Bank borrowings	31 March 2022	31 March 2021	30 September 2021
External bank debt (excluding costs)	**€80.7m**	€80.7m	€80.7m
Loan to value ratio based on GAV net of cash/gross of cash	**18%/28%**	11%/29%	16%/28%

Ongoing charges[4]	31 March 2022	31 March 2021	30 September 2021
Ongoing charges (fund operating expenses only)	**2.18%**	2.14%	2.12%
Ongoing charges (fund and property operating expenses)	**2.92%**	2.70%	2.54%

1 Excludes the Seville property for which the NAV exposure is nil.
2 Pps refers to pence per share.
3 Cps refers to euro cents per share.
4 Ongoing charges are calculated in accordance with the AIC recommended methodology as a percentage of the average NAV over a given period.
5 EPRA and Headline earnings are Alternative Performance Meansures ('APM's'). For a reconciliation to IFRS earnings, see pages 30-31.

Rent collection update[1]

As at 31 March 2022	Office		Industrial		Retail		Mixed		Total portfolio	
	2021	2022 H1	2021	2022 H1	2021	2022 H1	2021	2022 H1	2021	2022 H1
Paid	99.9%	99.8%	96.6%	100.0%	99.8%	100.0%	100.0%	100.0%	99.0%	99.9%
Deferred	0.0%	0.2%	3.2%	0.0%	0.2%	0.0%	0.0%	0.0%	0.9%	0.1%
Renegotiated/Outstanding	0.1%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

1. Rent collection table excludes the Seville property for which the NAV exposure is nil.
2021 refers to the SEREIT 2021 Full Year period between Q4 2020 to Q3 2021.
2022 H1 refers to the SEREIT 2022 Half Year period between Q4 2021 and Q1 2022.

Berlin, Germany

Chairman's Statement

DIVERSIFYING **THE PORTFOLIO**

Company's diversification and Western European city exposure positions it well to deal with current headwinds

Sir Julian Berney Bt.
Chairman

Overview

The Company has delivered a strong set of financial results for the six-month period ended 31 March 2022, driven by specialist management of a diversified portfolio in Winning Cities and Regions. The attractive quarterly dividend of 1.85 euro cents per share has been maintained and shareholders will benefit from an additional special dividend of 4.75 euro cents from the Paris Boulogne-Billancourt ('Paris BB') extraordinary profit. The NAV total return was 5.5% over the period with valuations increasing €8.0 million net of capex and tenant incentives, or 4.0% on a like-for-like basis. This has been driven by positive performance from the industrial and DIY/grocery sectors. Rent collection has been strong and, excluding Seville, stands at 100% for the six months to 31 March 2022; a marked increase from that experienced in the early part of the pandemic. Overall, the Board is pleased with the resilience of the portfolio and the Investment Manager's efforts in delivering on its asset management programme, despite the challenging backdrop. Along with ongoing tenant engagement, this has led to valuation growth and improving rent collection. It has allowed for the dividend to be maintained at its pre-pandemic level and for special dividends to be declared, allowing shareholders to benefit from exceptional asset management profits.

As at 31 March 2022, the Company's direct property portfolio was valued at €211.0 million. In addition, the Company has a 50% interest in a joint venture in Seville which continues to be recognised at nil interest. The direct portfolio consists of 13 investments in the most liquid investment markets in France, Germany and the Netherlands, concentrated in Winning Cities such as Paris, Berlin, Frankfurt, Hamburg and Stuttgart. The exposure to growth sectors such as industrial (25%) and DIY/grocery (17%) has been welcome, particularly given the resilience these sectors have shown during the pandemic.

The global economy is in a fragile state. Although sentiment around the pandemic is improving, and economies are opening up, we are witnessing mounting concerns around supply chains, inflation, low growth and the increasing of interest rates. On top of this, the war in Ukraine is delivering further pressures on the European economy. These collective headwinds are making it difficult to have a clear view on forecasts and associated underwriting of investments. It is for these reasons that we have continued to be prudent in our approach to deploying the remaining investment capacity of c.€50 million including further gearing. The Investment Manager continues to screen investment opportunities consistent with the investment strategy. In this regard, it is pleasing to have acquired two small industrial investments in Nantes, France and Venray, the Netherlands for c.€8 million and to announce the recent exchange of a car showroom in Cannes, France for €8.4 million with completion forecast for the end of June 2022. The focus continues to be on adding to our existing exposure in France, the Netherlands and Germany and in investment lot sizes sub €25 million to improve diversification.

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 most rents to directly benefit from inflation.

The Paris BB refurbishment is nearing completion and the team have done well to keep this on target from a budget and programme perspective. As at 31 May 2022 approximately 84% of the purchase price has been received with a further 11% to be received at the end of June 2022. The remaining 5% retention will be released through 2022 and 2023. These funds offer the Company significant flexibility and provide additional investment capacity post the funding of the remaining refurbishment. Investment of these proceeds will assist in diversifying the portfolio and improving income cover. Another €1.4 million of post-tax development profits for the refurbishment have now been recognised with the March 2022 interim results and we expect to be able to recognise another approximately €2.4 million net of tax.

We continue to take an active approach to tenant relationships and understanding their respective businesses. A key part of this is the development of ESG thinking and working together to minimise operational carbon and improve certifications. The Investment Manager is a leader in ESG and has deep resources in this area. The Company has integrated ESG considerations at all stages of the investment process and asset lifecycle. There is significant overlap between what the Company is delivering from an ESG perspective and what occupiers want given many are pursuing ESG targets of their own.

Strategy
The Investment Manager applies a research-led approach to determine attractive sectors and locations in which to invest in commercial real estate. This has allowed us to deliver favourable real estate performance of 4.8% over the last six months, 9.2% over the last 12 months and 10.4% p.a. over the last three years. The 'top down' target is to invest in cities that will grow faster from a GDP, population and labour perspective. Whilst at the micro level, using our local specialist expertise to identify sub-markets that will benefit from transport infrastructure improvements, supply constraints, competing demands for uses and assets that are leased off affordable and sustainable rents. This results in better liquidity and increased occupational demand for the assets in the portfolio which drives higher rental growth, higher occupancy and higher growth in property valuations.

The sale of Paris BB is allowing us to shape the portfolio and move into growth sectors and investments that will remain relevant, particularly given the changes we are seeing in occupational demand as a result of ESG and pandemic influences. There is an increasing move to utilise specialist knowledge and in this regard the recent acquisition by Schroders plc of a Dutch real estate investment management business is key to accessing and managing investments in this jurisdiction. We expect to see stronger deal flow in this region as a result.

A continuing focus on sustainability will be a defining attribute of our ongoing success. There is now a broad and growing consensus that there is a meaningful rental and price premium for buildings with green certification and the Company will seek to exploit this opportunity for its shareholders. The recent Paris BB repositioning is a good case in point, turning a grade C uncertified building into an institutional quality, grade A, BREEAM-rated premises. This has culminated in tenant retention, a sizeable rental increase and improved liquidity at pricing that has allowed us to crystallise a healthy development profit. Active asset management will continue to be a key requirement for delivering enhanced returns and through our specialist manager we are well positioned to deliver on this.

The Investment Manager is working on a number of asset management initiatives that include the leasing of vacant space in St Cloud, Paris, the disposal of the Seville shopping centre, expansion of the Lidl supermarket in Frankfurt and improvement of ESG credentials across the portfolio.

Financial results
The NAV total return was 5.5% over the interim period based on an IFRS profit of €10.9 million. Returns were driven primarily by an increase in the valuation of our industrial and DIY assets as these sectors witnessed continued yield compression and ERV growth. In addition €1.4 million of the Paris BB development pre-tax profit has been released as a result of the refurbishment nearing completion and remaining on cost and programme. Underlying EPRA earnings were €2.5 million for the period, compared to €2.8 million over the same period last year. Earnings will further increase with the redeployment of the Paris BB sale proceeds. The Company's NAV as at 31 March 2022 decreased marginally by €0.4 million, to €199.1 million, or 148.8 euro cents per share, over the period, with a key dilutor being the payment in January 2022 of the Company's first special dividend totalling €6.4 million.

Balance sheet and debt
Third-party debt totalled €80.7 million, representing a loan to value ('LTV') net of cash of 18% against the overall gross asset value of the Company. This compares to a net LTV cap of 35%. The Company has seven loans secured by individual assets or groups of assets, with no cross-collateralisation between loans. The average weighted total interest rate of the loans is 1.4% per annum. The weighted average duration of the loans is 2.4 years, with the earliest loan maturity in 2023. All loans except Seville are in compliance with their default covenants. The Seville loan remains in cash trap and is being managed under an LTV covenant waiver to facilitate a sale. Cost of debt has increased markedly over the period with the five-year swap increasing c.150 basis points, however there remains strong demand from lenders given our modest leverage and portfolio quality. More detail of the individual loans is provided in the Investment Manager's Report. The Company has c.€50 million of cash and debt capacity, which provides significant flexibility and additional investment capacity.

Dividends
The Company has continued to pay dividends throughout the pandemic. In January 2022 the Company paid a first interim dividend in respect of the year ending 30 September 2022 of 1.85 euro cents per share. In addition, the Company paid a special dividend of 4.75 euro cents per share associated with the sharing of net proceeds from the forward sale of Paris BB. Improving rent collection, valuation growth and successful risk management around the Paris BB refurbishment has allowed the Board to declare a second interim dividend of 1.85 euro cents per share. The Board has also declared a further special dividend of 4.75 euro cents per share to allow shareholders to once again benefit from the Paris BB profits.

Over the period a total of €11.3 million in dividends was paid, equating to 8.45 euro cents per share. This included two standard quarterly dividends of 1.85 euro cents per share (3.7 cps or €4.9 million) together with the Company's first special dividend of 4.75 euro cents per share (€6.4 million). The quarterly dividends over the period of 3.7 euro cents per share are 50% covered from income received over the period. As announced previously, it is expected that dividends from net income will remain uncovered whilst the refurbishment of Paris BB is being undertaken. The Board expects to allocate some of the net sale proceeds from the forward funding disposal towards covering the shortfall in income whilst Paris BB is being refurbished and pending the reinvestment of the remainder of the sale proceeds.

The second interim dividend (of 1.85 euro cps) and special dividend (of 4.75 euro cps), combined providing 6.6 euro cents per share, will be payable on 5 August 2022 to shareholders on the Register on 15 July 2022. The latest declared dividend represents an annualised rate of 5.0% on the 31 March 2022 NAV of 148.8 euro cents per share.

Share price
The shares continue to trade at a discount, which as at 15 June 2022 reflected a c.17% discount to NAV. The Board continues to be disappointed in the share price performance particularly given the real estate performance, strategy, attractive dividend and strong balance sheet. Annualising the 1.85 euro cents per share quarterly dividend (to 7.4 euro cents per annum) provides an attractive c.6% dividend yield based on the current share price. The Board will continue to review the discount, and at its discretion to execute a share buyback programme, as well as new acquisitions consistent with its 'Winning Cities and Regions' strategy.

Responsible and impact investment
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. A number of our investments are single tenanted and as such gaining access to utility and waste data is a challenge. We are therefore spending time with tenants to broaden their understanding around collective sustainability targets and in particular data collection around water, gas, electricity and waste. We have issued the Investment Manager's Sustainable Occupier Guide to tenants to proactively advise occupiers on low cost initiatives to achieve reduced environmental footprints, operating costs and enhanced user wellbeing across the assets. The focus on climate change and the requirement to act on net zero commitments and to evidence positive social impact continues. In this regard, the Investment Manager continues to look at ways to improve each asset's impact, safety and relevance on a post-Covid basis.

Outlook
The outlook is for European real estate returns to be muted over the short term. Performance will benefit from inflation, given underlying indexation clauses. We are however mindful of geopolitical risks and its ramifications to sentiment, surging energy costs, inflation and contractions in household spending. These are all having an impact on fiscal and monetary government policies and ultimately economic growth. Notwithstanding, real estate continues to remain attractive relative to other asset classes. We remain confident in the diversified qualities of the portfolio, particularly given the exposure to high growth locations and local management expertise. The Company is well positioned to withstand current market uncertainties and we are looking forward to shaping the portfolio with the remaining investment capacity. We expect to see more investment opportunities in this changing market.

Sir Julian Berney Bt.
Chairman

20 June 2022

Investment Manager's Report

Results

The net asset value ('NAV') as at 31 March 2022 stood at €199.1 million (£167.6 million), or 148.8 euro cents (125.5 pence) per share, resulting in a NAV total return of 5.5% over six months to 31 March 2022.

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.

NAV movement	€m[1]	cps[2]	% change per cps[3]
Brought forward as at 1 October 2021	**199.5**	**149.2**	**–**
Unrealised gain in the valuation of the real estate portfolio	8.3	6.1	4.1
Capital expenditure	(0.2)	(0.1)	(0.1)
Transaction costs	(0.2)	(0.1)	(0.1)
Boulogne-Billancourt, Paris post-tax development profit	1.4	1.0	0.7
Movement on the Seville JV investment	0.0	0.0	0.0
EPRA earnings[4]	2.5	1.9	1.3
Non-cash/capital items	(0.9)	(0.7)	(0.5)
Dividends paid	(11.3)	(8.5)	(5.7)
Carried forward as at 31 March 2022	**199.1**	**148.8**	**(0.3)**

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 Percentage change based on the starting NAV as at 1 October 2021.
4 EPRA earnings as reconciled on page 30 of the financial statements.

Strategy

The strategy over the period ended 31 March 2022 remained focused on the following key objectives:

– Maximising shareholder value including growing the share price and eliminating the discount to NAV;
– Ensuring the Company's main asset management initiative, the refurbishment of the Paris Boulogne-Billancourt ('Paris BB') office investment remains on budget and programme;
– Reinvesting Paris BB disposal proceeds to improve diversification and move dividend cover back to 100%;
– Mitigating the impact of the Covid-19 pandemic on the portfolio, tenants and wider stakeholders;
– Executing asset management initiatives to enhance the income profile, individual asset values and sustainability credentials;
– Improving the Company's net income profile to support a sustainable dividend; and
– Managing portfolio risk in order to enhance the portfolio's defensive qualities.

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

– Payment of the first special dividend (4.75 euro cents per share) associated with the sharing of part of the exceptional profit from the Paris BB refurbishment, re-gear and forward sale;
– High levels of positive tenant engagement and implementation, resulting in robust and improved rent collection over the period of 100%, excluding Seville;
– The continued management of the Paris BB office refurbishment which has been delivered to business plan in Q2 2022;
– The post period acquisition of a car showroom in Cannes, France for €8.4 million, reflecting a net initial yield of 5.5% and a reversionary yield of 6.4%;
– Maintained a high occupancy level of 95%, with an average portfolio lease term to break of 4.5 years;
– Improved the portfolio's environmental characteristics, which included an enhancement of the Berlin BREEAM rating, use of 100% renewable energy in Germany and increased tenant data collection across the portfolio;
– Issued SREIM's[1] Sustainable Occupier Guide to all tenants across France, the Netherlands and Spain, advising occupiers on low cost initiatives to achieve reduced environmental footprints, operating costs and enhanced user wellbeing; and
– A modest LTV of 28% gross of cash and 18% net of cash, comfortably below the target of 35%.

Macro impacts – inflation, Ukrainian crisis, Covid-19 and interest rates

– We are operating in a high inflationary environment, driven by economies opening up, commodity, energy and construction prices soaring as well as concerns around product supply. Consensus forecasts are for Eurozone inflation to peak at 6.5% for 2022, falling back to 2.4% for 2023, and returning to sub 2% for the medium term thereafter. European real estate leases are considered to provide a hedge against inflation given rents are indexed annually to CPI. The risk moves more to affordability, capacity to pay and solvency of underlying tenants. The diversified nature and strength of our underlying tenants, coupled with the fact that our assets are leased off affordable and sustainable rents means we are well placed to manage such risk.
– We continue to monitor the Ukraine crisis and its impact on not only the portfolio but wider market volatility. We have no exposure to eastern Europe or Russia and we are not aware that any of our tenants have any ownership or influence from Russia. We continue to manage the portfolio in the best interest of our shareholders, ensuring that all international sanctions are adhered to. The Group's key suppliers do not have operations in Ukraine or Russia and there is not expected to be any adverse impact from the war on our ability to manage the operations of the Group.

1 Schroder Real Estate Investment Management Limited.

- The period appears to mark a favourable turning point with Covid-19, particularly around public confidence and business sentiment. With vaccinations proving effective, governments have moved to reduce regulations, allowing for economies to open up. We continue to manage the portfolio, working with tenants to facilitate their growth out of Covid-19 whilst also protecting shareholders' long-term interests. In addition, the acceleration of structural changes, like e-commerce on the retail and logistics markets and the increasing shift back to the use of offices, on a hybrid work from home basis are driving our investment and management strategy.
- Monetary policy has seen a significant shift in thinking. Most central banks are looking to target inflation by increasing interest rates. Although the European Central Bank ('ECB') has elected to date to take a contrary view on rate increases, 10 year bonds and swap rates are increasing and volatile. In addition, lenders are assessing margins, LTVs and covenants.

Market overview

Economic outlook

The war in Ukraine recently delivered a new shock to the eurozone economy, just as it had returned to pre-pandemic levels with renewed positivity. While neither Russia, nor Ukraine are important Eurozone export markets, they are major suppliers of oil & gas, raw materials and grain. As a result, energy, raw material and food prices have jumped, which has added to inflation, but this was already rising due to the ongoing global supply bottlenecks and pent-up demand caused by Covid-19. The latest consensus forecast (April '22) now expects eurozone inflation of 6.5% this year and 2.4% in 2023. This will depress real household incomes, a major driver of the recovery seen in 2021. As a result, in the short term consumers will be more inclined to save and businesses less willing to invest. As a result, Schroders has revised its GDP forecasts downwards to 2.8% for 2022 and 2.3% in 2023.

Interest rates and real estate yields

In an effort to curb inflation, the ECB is speeding up the end of its quantitative easing programme and Schroders now expect the ECB to raise interest rates this year. While the ECB continues to stress that the increase will be gradual, markets seem to price quite aggressive hikes. Bond yields have already started to increase with 10-year government bond yields and bank finance costs now 1% and 1.5% higher than in March 2021, respectively. In addition, lenders are scrutinising LTV capacity, potentially requiring more equity or amortisation. Although the average gap between eurozone prime office yields and 10-year government bonds a year ago was exceptional and the current gap is close to the long-term average, the era of falling real estate yields is likely to be over with future performance driven by income and not capital growth.

Offices

Evidence is emerging that European employees are preferring to return to the office relative to British and North American employees. Office leasing activity continues to recover with an active start to the year, though Continental European volumes in Q1 were c.20% lower than in Q4 2021. Volumes for the last 12 months are up nearly 40% compared to the 12-month period prior. The shift to more hybrid working has led to a highly polarised market with occupiers focusing on top quality space with state-of-the-art technology, strong ESG credentials and a focus on employee wellbeing to tempt employees back into the office.

Vacancy levels have increased, but remain low in the majority of Western European markets and going forward, high construction costs are likely to impact overall construction activity. Whilst modern space is quickly absorbed, occupiers handing back second-hand space to the market means that vacancy increasingly consists of older and redundant stock. The ongoing tight supply and strong focus of occupiers on prime space will thereby continue to support prime rents. Almost all major markets have recorded prime rental growth in the last 12 months. Conversely, secondary rents are likely to fall, or stagnate and the jump in construction costs means that some older offices risk becoming stranded assets, because it is no longer viable to refurbish them.

Retail

Retail real estate continues to be challenging and a highly polarised affair. On the one hand, vacancy rates in many cities have risen to 12-15% and PMA (Property Market Analysis) forecasts suggest that online sales in northern Europe (excl. the UK) will increase from 14% of total sales in 2021 to 18% in 2024. On the other hand, there is good demand from discounters for food stores and big box units, spending by tourists and office workers should recover assuming Covid-19 remains under control and high residential prices are encouraging developers to convert redundant retail space, where possible. Given these trends we expect that food store and big box retail park rents will increase by 2-3% p.a. and 1-2% p.a. respectively, over the next three years. We also anticipate a modest recovery in prime shop rents in major tourist destinations which are supply constrained (e.g. Barcelona and Paris). By contrast, we expect that rents for non-food shops and shopping centres will continue to decline in most towns and cities coupled with an increasing move to turnover based rents. Vacancy will continue to be a long-term challenge for this sector, particularly given the lack of new entrants and the current pressure on the fashion industry who have traditionally been key occupiers.

Logistics/industrial

The logistic warehouse market in continental Europe is seeing ongoing record levels of demand. The main driver is online retail, but another factor is that retailers and manufacturers are deciding to hold more stock as a precaution against supply disruptions. The strength of demand has pushed vacancy rates down to 3-5% in most locations and tight supply in core areas has pushed some occupiers into more second tier locations. Annual rental growth is now up to 4%, from an average of 2% p.a. in the five years before the pandemic. However, although demand for warehouses is likely to remain strong, we expect rental growth to slow slightly to 3% p.a. over the next three years, as logistics developers ramp up activity. Urban logistics rents are expected to continue to grow at faster rates than hub locations. Warehouse completions in Europe (excl. the UK) rose to 15 million square metres in 2021 and a third of schemes were speculative. In addition, the ability of 3PL logistics firms to pay higher rents is likely to be limited given that profit margins are thin, competition is high and they are also being squeezed by higher fuel prices and labour shortages, albeit goods are being stored for longer.

Real estate portfolio

The Company owns a portfolio of 13 institutional grade properties valued at €211.0 million[1]. The portfolio is 95% let and located across those Winning Cities and Regions in France, Germany, Spain and the Netherlands. In addition, the Company has a 50% interest in a joint venture in Seville 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 table below shows the top ten properties:

Rank	Property	Country	Sector	€m[1]	% of total[1]
1	Paris (Saint-Cloud)	France	Office	41.3	17%
2	Berlin	Germany	Retail/DIY	31.1	12%
3	Hamburg	Germany	Office	25.4	10%
4	Stuttgart	Germany	Office	21.6	9%
5	Rennes	France	Industrial	21.2	9%
6	Apeldoorn	Netherlands	Mixed	17.4	7%
7	Frankfurt	Germany	Retail/Grocery	11.7	5%
8	Venray	Netherlands	Industrial	11.5	4%
9	Rumilly	France	Industrial	10.5	4%
10	Houten	Netherlands	Industrial	8.0	3%
Top ten properties				**199.7**	**80%**
11–13	Remaining three properties	Netherlands/France	Industrial/Logistics	11.3	5%
Real estate portfolio value				**211.0**	**85%**
	Investable cash			36.9	15%
Total portfolio value				**247.7**	**100%**

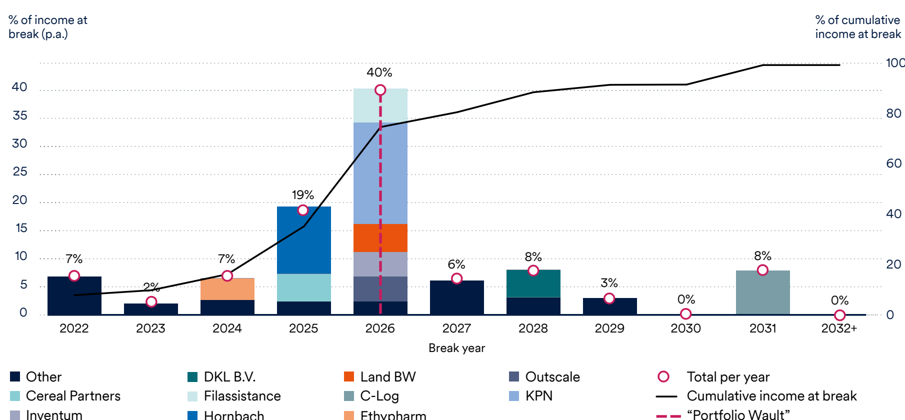
1 Excludes the Seville property for which the NAV exposure is nil.

Investment Manager's Report
Continued

The table below sets out the top ten tenants, which are from a diverse range of industry segments and represent 71% of the portfolio[1]:

Rank	Tenant	Industry	Property	Contracted rent €m	Contracted rent % of total[1]	WAULT break (yrs)	WAULT expiry (yrs)
1	KPN	Telecomms	Apeldoorn	2.6	18%	4.8	4.8
2	Hornbach	DIY	Berlin	1.7	12%	3.8	3.8
3	C-Log	Logistics	Rennes	1.1	8%	8.9	8.9
4	Filassistance	Insurance	Paris (Saint-Cloud)	0.9	6%	4.8	4.8
5	Land BW	Government	Stuttgart	0.7	5%	4.3	4.3
6	DKL	Logistics	Venray	0.7	5%	6.5	6.5
7	Cereal Partners	Consumer staples	Rumilly	0.7	5%	3.1	4.1
8	Outscale	IT	Paris (Saint-Cloud)	0.6	4%	4.0	7.0
9	Inventum Industrial	Manufacturing	Houten	0.6	4%	4.2	4.2
10	Ethypharm	Pharmaceutical	Paris (Saint-Cloud)	0.6	4%	2.3	4.8
Total top ten tenants				**10.2**	**71%**	**4.8**	**5.2**
Remaining tenants				4.1	29%	3.6	4.0
Total				**14.3**	**100%**	**4.5**	**4.9**

1 Excludes Seville property for which NAV exposure is NIL.



The top ten tenants have paid 100% of their rent over the six-month period. The portfolio generates €14.3 million p.a. in contracted income. The average unexpired lease term is 4.5 years to first break and 4.9 years to expiry.

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

Transactions

The Company has approximately €50 million of investment capacity (including debt) to redeploy into commercial real estate. The target is to replace the lost income from Paris BB, further enhance the portfolio's diversification and exposure to growth sectors, cities and regions. More specifically, France, Germany and the Netherlands will be our focus, with the latter driven by Schroders PLC's acquisition of a specialist real estate team in the Netherlands comprising 26 professionals. This approach aligns with the strategy and commitment to specialist, local management.

During the period, the Company completed an industrial acquisition in Venray, the Netherlands, followed by the post-period acquisition of a car showroom in Cannes, France.

- Venray, the Netherlands: a freehold industrial warehouse was acquired for €1.7 million, equating to €440 per sqm and a net initial yield of 5.3% with reversion to 7.6%. The weighted unexpired lease term was approximately eight years.
- Cannes, France: a freehold car showroom was acquired for €8.4 million, equating to €1,983 per sqm and a net initial yield of 5.5% with reversion to 6.4%. The weighted unexpired lease term was approximately three years. Completion is forecast for the end of June 2022.

Both investments further diversify the portfolio by sub-sector and markets, and contribute to replacing the lost income from Paris BB. We continue to screen a wide range of acquisition opportunities, and believe that recent market volatility will create more opportunities.

We continue to manage the Seville investment with a view to a disposal.

Portfolio performance

During the period, the underlying property portfolio generated a total property return of 4.8%. The portfolio income return amounted to 1.9% and the portfolio capital return to 2.9% net of capital expenditure.

The strongest contributors to portfolio performance were the industrial assets Rennes (+15%), Rumilly (+11%), Nantes (+9%), the DIY store in Berlin (+10%) and the office assets Hamburg (+10%) and Stuttgart (+7%).

- The industrial portfolio delivered an average 10% total return due to improved investment demand and yield re-rating;
- The Berlin DIY property delivered a 10% total return due to the sector benefiting from the pandemic and improved investor demand;
- The Hamburg office property delivered a 10% total return driven by income growth and yield re-rating;
- The Stuttgart office property delivered a 7% total return with the asset benefiting from rental growth as a result of tight supply; and
- Most of the strong positive performance impact from the Paris BB lease re-gear and forward funded sale was reflected in the previous year's financial returns.

The main detractor from portfolio performance was Seville with a -7% total property return. The negative return for the Seville property was a result of rent discounts, increased vacancy and weakening investor demand for shopping centres. However, from a fund performance perspective, Seville did not have any impact as the NAV exposure to this investment had already been fully written off since early 2021.

Property returns over the last 12 months are 9.2% and 10.4% p.a. over the last three years.

Finance

As at 31 March 2022, the Company's total external debt was €80.7 million, across seven loan facilities. This represents a loan to value ('LTV') net of cash of 18% against the Company's gross asset value (gross of cash LTV is 28%). Cash levels are high, as the Company (as at 31 May 2022) has received c.84% from the agreed sale price of Paris Boulogne-Billancourt. 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 1.4% and the average remaining loan term is 2.4 years.

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

Lender	Property	Maturity date	Outstanding principal	Interest rate	Headroom LTV default covenant (% decline)	Headroom net income default covenant (% decline)
BRED Banque Populaire	Paris (Saint-Cloud)	15/12/2024	€17.00m	3M Eur +1.34%	-29%	-43%
Deutsche Pfandbriefbank AG	Berlin/Frankfurt	30/06/2026	€16.50m	1.31%	-33%	-42%
Deutsche Pfandbriefbank AG	Stuttgart/Hamburg	30/06/2023	€14.00m	0.85%	-37%	-35%
Münchener Hypothekenbank eG	Seville (50%)[1]	22/05/2024	€11.68m	1.76%	In breach[2]	In cash trap
HSBC Bank Plc	Netherlands industrials[3]	27/09/2023	€9.25m	3M Eur +2.15%	-39%	-52%
Landesbank SAAR	Rennes	28/03/2024	€8.60m	3M Eur +1.40%	-24%	-75%
Landesbank SAAR	Rumilly	30/04/2023	€3.70m	3M Eur +1.30%	-28%	-86%
Total			**€80.73m**			

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

For the Seville shopping centre, a reduction in rental income has resulted in a requirement under the loan to retain all excess income generated by the Seville property in the property-owning special purpose vehicle. 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 and Spanish loans are fixed rate for the duration of the loan term. The French and Dutch 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 strike rates on the interest rate caps are between 0.25% p.a. and 1.25% p.a. There are three loans due to expire over 2023. We have commenced preliminary discussions with lenders and are confident in our ability to refinance at similar LTVs, albeit current swap rates would result in the overall cost of debt increasing.

The Company entered into a revolving credit facility in relation to the Paris BB refurbishment. The maximum amount that can be drawn down is €13.6 million, with nil drawn at 31 March 2022.

Outlook

The outlook has changed rather significantly over the period. During the early part of the period the primary discussions centred on ESG and Covid-19 risks. Today, these risks are amplified by global inflationary pressures amid rising energy, food and construction prices. In Europe in particular, the Russian invasion of Ukraine is magnifying uncertainty and as a result business and consumer confidence has fallen, with economic growth forecasts being downgraded accordingly. However, we are convinced that the portfolio is well placed to deal with these risks. The portfolio is modestly levered, has a high level of occupancy and the income is considered a strong hedge against inflation given the underlying annual indexation clauses. It also has no exposure to Eastern Europe with the majority of the exposure in key cities such as Berlin, Hamburg, Stuttgart and Paris.

The diversified nature of our portfolio means that we continue to believe that we can access and underwrite suitable investment opportunities during challenging times. Having strong in-house research coupled with local management expertise places us in a strong position to not only pick the right sectors and cities, but also the sub-markets that will provide the best protection for shareholders. The remaining proceeds from the sale of Paris BB will continue to focus on France, Germany and the Netherlands, markets where we have our strongest local expertise. As a diversified investor we are agnostic on sector and review investments on a risk-adjusted basis. We currently have stronger conviction on sectors associated with life/bio science, last mile distribution warehouses, light industrial assets in established manufacturing hubs, DIY and grocery retail and offices in major cities.

Jeff O'Dwyer
Fund Manager
Schroder Real Estate Investment Management Limited

20 June 2022

Strategy in Action

Disciplined asset management

BUSINESS PLAN-LED ***APPROACH***

Identifying and implementing active management strategies to maximise returns

Rumilly, France

Rumilly, France

1 Asset management strategy

- Core logistics investment located in Rumilly (Haute-Savoie) in the French Alps and one of the fastest growing regions of France
- Improving logistics location, driven by its proximity to Geneva (via A41 motorway and rail) and affordability with rents approximately a third of prime logistic rents in Geneva
- The asset comprises 16,700 sqm (97% warehouse, 3% office) with a favourable 1:740 sqm loading dock provision and sufficient truck manoeuvrability and parking spaces
- ESG initiatives undertaken include LED lighting upgrade, ongoing waste performance monitoring and automatic meter readings for energy and water
- Built-to-suit asset enjoying excellent tenancy history, fully let to Cereal Partners France (Nestlé subsidiary) for the past 24 years given its strategic location to the neighbouring Nestlé cereal manufacturing plant
- Scarcity of land in the region, meaning strong interest from occupiers and distributors which has spurred additional construction and rental growth
- Value has grown from an initial purchase price in Q3 2018 of €8.5 million to €10.5 million as at Q1 2022

Rumilly property returns last three years

14.7% p.a.

Rumilly valuation uplift against purchase price

€2.0m/+23%

Berlin, Germany

2 Asset management strategy

- Freehold 16,800 sqm DIY retail scheme comprising a DIY unit, a garden centre and a trade counter fully let to Hornbach
- Acquired in March 2016 for a purchase price of €24.3 million, latest valuation at 31 March 2022 of €31.1 million
- Strong urban location 10 km south of Berlin City Centre in Mariendorf with surrounding medium density residential and above average population growth expected
- Large site area of over 4 hectares in a supply constrained location providing an opportunity to explore alternative use subject to ongoing discussions with the tenant and local authority
- Management recently inspected a neighbouring mixed-use residential/retail scheme. Longer term aspirations are to replicate
- Preliminary discussions with the municipality have commenced. However, timing will be dictated by our ability to get vacant possession

Berlin property returns last three years

10.9% p.a.

Berlin valuation uplift against purchase price

€6.9m/+28%

Environmental, Social and Governance in focus

3 ESG initiatives

GRESB
- GRESB rating currently 3 green stars with aspirations to improve to 4 green stars as sustainability measures are implemented across the portfolio

BREEAM
- Achieved BREEAM In-Use certification for Frankfurt and Venray, bringing the total portfolio coverage to five assets

Environmental
- 100% procurement of green tariffs across the German sub-portfolio
- Viability assessments of renewable energy undertaken across the French and Dutch sub-portfolios
- Ongoing sustainability improvement measures including the commissioning of HVAC and BMS at Venray II, installation of LED lighting in Rumilly and Utrecht and smart meters in Stuttgart, Rumilly and Hamburg and the use of low-flow taps in Utrecht

Social
- Enhanced community engagement initiatives including an employee reintegration programme at Rennes, working with local charities and facilitating a food bank drive at Rumilly, raising awareness of autism through workshops and ongoing blood donation drives for a local hospital resulting in receiving a municipal award in recognition

Governance
- Strong focus on sustainability throughout the investment process including acquisitions, annual fund strategy and asset business plans
- Ongoing initiatives to further enhance tenant communication and awareness through newsletters, signage of building certification and issuing the SREIM Sustainable Occupier Guide across the portfolio to advise occupiers on low cost environmental initiatives

Directors' Report

Principal risks and uncertainties

The principal risks and uncertainties with the Company's business relate to the following risk categories: investment policy and strategy; implementation of investment strategy, economic and property market; custody; gearing and leverage; accounting, legal and regulatory; valuation; service provider; and health and safety. A detailed explanation of the risks and uncertainties in each of these categories can be found on pages 31 to 33 of the Company's published Annual Report and Consolidated Financial Statements for the year ended 30 September 2021.

While the impact of the Covid-19 pandemic continues to affect economic and property market risk, the Company's portfolio remains resilient, as evidenced by rent collection levels over the half year. Good progress is also being made to reinvest the remaining proceeds of the Paris BB forward-sale, with a view to further diversifying the Company's portfolio by both number of assets and tenants, as well as increasing its allocation to the high growth industrial sector.

The Board is monitoring events in Ukraine and their potential impact on the Company's portfolio and wider market volatility. The Company does not have any exposure to Russia, and is not aware of any such exposure through its tenants or suppliers. There has been no identifiable impact on the Company's operations to date.

Other than as outlined above, the principal risks and uncertainties have not materially changed during the six months ended 31 March 2022.

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 22.

Related party transactions

There have been no transactions with related parties that have materially affected the financial position or the performance of the Company during the six months ended 31 March 2022. Related party transactions are disclosed in note 13 of the condensed consolidated interim financial statements.

Statement of Directors' responsibilities

The Directors confirm that to the best of their knowledge:

- The half year report and condensed consolidated interim financial statements have been prepared in accordance with the UK adopted International Accounting Standard IAS 34 Interim Financial Reporting; and
- The Interim Management Report includes a fair review of the information required by 4.2.7R and 4.2.8R of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.

Sir Julian Berney Bt.
Chairman

20 June 2022

Independent review report to Schroder European Real Estate Investment Trust plc

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Schroder European Real Estate Investment Trust plc's condensed consolidated interim financial statements (the "interim financial statements") in the Half Year Report and Condensed Consolidated Interim Financial Statements of Schroder European Real Estate Investment Trust plc for the 6 month period ended 31 March 2022 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the Condensed Consolidated Interim Statement of Financial Position as at 31 March 2022;
- the Condensed Consolidated Interim Statement of Comprehensive Income for the period then ended;
- the Condensed Consolidated Interim Statement of Cash Flows for the period then ended;
- the Condensed Consolidated Interim Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Half Year Report and Condensed Consolidated Interim Financial Statements of Schroder European Real Estate Investment Trust plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Half Year Report and Condensed Consolidated Interim Financial Statements and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Half Year Report and Condensed Consolidated Interim Financial Statements, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Half Year Report and Condensed Consolidated Interim Financial Statements in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the Half Year Report and Condensed Consolidated Interim Financial Statements based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
London

20 June 2022

Condensed Consolidated Interim Statement of Comprehensive Income

For the period ended 31 March 2022

	Notes	**Six months to 31 March 2022 €000 (unaudited)**	Six months to 31 March 2021 €000 (unaudited)	Year to 30 September 2021 €000 (audited)
Rental and service charge income	2	**9,174**	8,198	16,921
Property operating expenses		**(3,396)**	(1,923)	(3,887)
Net rental and related income		**5,778**	**6,275**	**13,034**
Net gain from fair value adjustment on investment property	3	**7,853**	5,462	8,573
Development revenue	4	**9,744**	2,741	9,806
Development expense	4	**(7,905)**	(2,767)	(8,265)
Realised loss on foreign exchange		**(3)**	(1)	(3)
Net change in fair value of financial instruments at fair value through profit or loss		**235**	1	(7)
Provision of loan made to Seville joint venture	5	**(221)**	(8,248)	(8,471)
Expenses				
Investment management fee	13	**(1,137)**	(1,099)	(2,181)
Valuers' and other professional fees		**(515)**	(269)	(714)
Administrator's and accounting fees		**(210)**	(210)	(410)
Auditors' remuneration		**(189)**	(218)	(391)
Directors' fees	13	**(108)**	(90)	(180)
Other expenses		**(251)**	(394)	(616)
Total expenses		**(2,410)**	**(2,280)**	**(4,492)**
Operating profit		**13,071**	**1,183**	**10,175**
Finance income		**224**	223	447
Finance costs		**(562)**	(584)	(1,209)
Net finance costs		**(338)**	**(361)**	**(762)**
Share of loss of joint venture	6	**–**	–	(60)
Profit before taxation		**12,733**	**822**	**9,353**
Taxation	7	**(1,842)**	(1,563)	(3,116)
Profit/(loss) for the period/year		**10,891**	**(741)**	**6,237**
Other comprehensive income:				
Other comprehensive loss items that may be reclassified to profit or loss:				
Currency translation differences		**2**	18	1
Total other comprehensive income		**2**	**18**	**1**
Total comprehensive income/(expense) for the period/year		**10,893**	**(723)**	**6,238**
Basic and diluted earnings per share attributable to owners of the parent	8	**8.1c**	**(0.6c)**	**4.7c**

All items in the above statement are derived from continuing operations. The accompanying notes 1 to 16 form an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Financial Position

As at 31 March 2022

	Notes	**Six months to 31 March 2022 €000 (unaudited)**	Six months to 31 March 2021 €000 (unaudited)	Year to 30 September 2021 €000 (audited)
Assets				
Non-current assets				
Investment property	3	**209,591**	186,848	199,727
Investment in joint venture	6	**–**	–	–
Non-current assets		**209,591**	**186,848**	**199,727**
Current assets				
Trade and other receivables		**18,037**	29,874	34,642
Interest rate derivative contracts		**248**	22	14
Cash and cash equivalents		**52,458**	57,724	45,717
Current assets		**70,743**	**87,620**	**80,373**
Total assets		**280,334**	**274,468**	**280,100**
Equity				
Share capital	10	**17,966**	17,966	17,966
Share premium	10	**43,005**	43,005	43,005
Retained earnings		**21,468**	19,473	21,878
Other reserves		**116,685**	116,700	116,683
Total equity		**199,124**	**197,144**	**199,532**
Liabilities				
Non-current liabilities				
Interest-bearing loans and borrowings	9	**68,657**	68,436	68,589
Deferred tax liability	7	**4,915**	2,836	3,844
Non-current liabilities		**73,572**	**71,272**	**72,433**
Current liabilities				
Trade and other payables		**6,809**	5,966	7,545
Current tax liabilities	7	**829**	86	590
Current liabilities		**7,638**	**6,052**	**8,135**
Total liabilities		**81,210**	**77,324**	**80,568**
Total equity and liabilities		**280,334**	**274,468**	**280,100**
Net asset value per ordinary share	11	**148.8**	147.4c	149.2c

The condensed consolidated interim financial statements on pages 18-29 were approved at a meeting of the Board of Directors held on 20 June 2022 and signed on its behalf by:

Sir Julian Berney Bt.
Chairman

The accompanying notes 1 to 16 form an integral part of the condensed consolidated interim financial statements.

Company number: 09382477
Registered office: 1 London Wall Place, London EC2Y 5AU

Condensed Consolidated Interim Statement of Changes in Equity

For the period ended 31 March 2022

	Notes	Share capital €000	Share premium €000	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 period		–	–	10,891	–	10,891
Other comprehensive income for the period		–	–	–	2	2
Dividends paid	12	–	–	(11,301)	–	(11,301)
Balance as at 31 March 2022 (unaudited)		**17,966**	**43,005**	**21,468**	**116,685**	**199,124**

	Notes	Share capital €000	Share premium €000	Retained earnings €000	Other reserves €000	Total equity €000
Balance as at 1 October 2020		17,966	43,005	24,173	116,682	201,826
Profit for the year		–	–	6,237	–	6,237
Other comprehensive income for the year		–	–	–	1	1
Dividends paid	12	–	–	(8,532)	–	(8,532)
Balance as at 30 September 2021 (audited)		**17,966**	**43,005**	**21,878**	**116,683**	**199,532**

	Notes	Share capital €000	Share premium €000	Retained earnings €000	Other reserves €000	Total equity €000
Balance as at 1 October 2020		17,966	43,005	24,173	116,682	201,826
Profit for the period		–	–	(741)	–	(741)
Other comprehensive income for the period		–	–	–	18	18
Dividends paid	12	–	–	(3,959)	–	(3,959)
Balance as at 31 March 2021 (unaudited)		**17,966**	**43,005**	**19,473**	**116,700**	**197,144**

The accompanying notes 1 to 16 form an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Cash Flows

For the period ended 31 March 2022

	Notes	Six months to 31 March 2022 €000 (unaudited)	Six months to 31 March 2021 €000 (unaudited)	Year to 30 September 2021 €000 (audited)
Operating activities				
Profit before tax for the period/year		**12,733**	822	9,353
Adjustments for:				
Net gain from fair value adjustment on investment property	3	**(7,853)**	(5,462)	(8,573)
Share of loss of joint venture	6	**–**	–	60
Realised foreign exchange loss		**3**	1	3
Finance income		**(224)**	(223)	(447)
Finance costs		**562**	584	1,209
Net change in fair value of financial instruments at fair value through profit or loss		**(235)**	(1)	7
Provision of loan made to Seville joint venture	5	**221**	8,248	8,471
Operating cash generated before changes in working capital		**5,207**	**3,969**	**10,083**
Increase in trade and other receivables		**(236)**	(6,492)	(10,896)
Increase/(decrease) in trade and other payables		**1,353**	(829)	(1,353)
Cash generated from/(used in) operations		**6,324**	**(3,352)**	**(2,166)**
Finance costs paid		**(492)**	(519)	(993)
Finance income received		**3**	1	2
Tax paid	7	**(532)**	(556)	(596)
Net cash generated from/(used in) operating activities		**5,303**	**(4,426)**	**(3,753)**
Investing activities				
Proceeds from sale of investment property		**16,900**	52,929	52,929
Acquisitions of investment property	3	**(1,741)**	–	(8,750)
Additions to investment property	3	**(579)**	(4,873)	(5,990)
Investment in joint venture	6	**–**	–	(60)
Net cash generated from investing activities		**14,580**	**48,056**	**38,129**
Financing activities				
Proceeds from borrowings		**–**	–	1,840
Repayment of overdraft		**(1,840)**	–	–
Dividends paid	12	**(11,301)**	(3,959)	(8,532)
Net cash used in financing activities		**(13,141)**	**(3,959)**	**(6,692)**
Net increase in cash and cash equivalents for the period/year		**6,742**	**39,671**	**27,684**
Opening cash and cash equivalents		**45,717**	**18,035**	**18,035**
Effects of exchange rate change on cash		**(1)**	18	(2)
Closing cash and cash equivalents		**52,458**	**57,724**	**45,717**

The accompanying notes 1 to 16 form an integral part of the condensed consolidated interim financial statements.

Notes to the Financial Statements

1. Significant accounting policies

The Company is a closed-ended investment company incorporated in England and Wales. The condensed consolidated interim financial statements of the Company for the period ended 31 March 2022 comprise those of the Company and its subsidiaries (together referred to as the 'Group'). The shares of the Company are listed on the London Stock Exchange (Primary listing) and the Johannesburg Stock Exchange (Secondary listing). The registered office of the Company is 1 London Wall Place, London, EC2Y 5AU.

These condensed consolidated interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 September 2021 were approved by the Board of Directors on 6 December 2021 and were delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

These condensed consolidated interim financial statements have been reviewed and not audited.

Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. They do not include all of the information required for the full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 September 2021. The condensed consolidated interim financial statements have been prepared on the basis of the accounting policies set out in the Group's consolidated financial statements for the year ended 30 September 2021. The consolidated financial statements for the year ended 30 September 2021 have been prepared in accordance with International Accounting Standards in conformity with the Companies Act 2006. The Group's annual financial statements refer to new Standards and Interpretations, none of which had a material impact on the financial statements.

Basis of preparation

The condensed consolidated interim 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 flow of the entities included in the condensed consolidated interim financial statements and are consistent with those of the year-end financial report.

Going concern

The Directors have examined significant areas of possible financial risk including: the non-collection of rent and service charges; potential falls in property valuations; the existing and future expected cash requirements of the Group; the ability to refinance certain third-party loans in 2023; the refurbishment of Boulogne-Billancourt, Paris and the receipt of further future funds from the purchaser and forward-looking compliance with third-party debt covenants, in particular the loan to value covenant and interest cover ratios.

Furthermore, the potential ramifications of Covid-19, the war in Ukraine and macroeconomic variables such as rising interest rates and inflation have also been considered regarding the Group's investments in France, Germany, Spain and The Netherlands.

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

The Group has seven loans secured by individual assets, with no cross-collateralisation. All loans are in compliance with their default covenants, though there is a cash trap in operation for the Seville loan. More detail of the individual loans, and headroom on the loan to value and net income default covenants, is provided in the Investment Manager's Report on page 13. Three loans totalling €27 million fall due in 2023. The Group has plans to refinance and has commenced preliminary discussions with lenders on this matter. However, the Group would also have sufficient cash or liquid assets to repay these loans in the downside scenario of refinancing not being achieved.

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

Use of estimates and judgements

The preparation of financial statements under 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 3, including those within joint ventures, which are stated at fair value. The fair value of investment property is inherently subjective because the valuer makes assumptions which may not prove to be accurate. The Group uses an external professional valuer to determine the relevant amounts.

The following are 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 estimated variable consideration are disclosed in note 4.

- 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 contingent liability, the Group discloses these appropriately within the notes to the financial statements (further details are disclosed in note 7).
- IFRS 9 expected credit losses: IFRS 9 became effective for accounting periods of entities beginning on or after 1 January 2018 and requires an impairment review to be made for certain financial assets held on the Group and Company's balance sheet using a forward-looking expected credit loss model. All receivables, inter-company and joint venture loans are considered to be such financial assets and must therefore be assessed at each reporting period for potential impairment. Where any impairment is required to be made, appropriate recognition is required in the consolidated statement of comprehensive income, together with appropriate disclosure and sensitivity analysis in the notes to the financial statements (further details are disclosed in note 3). The Seville joint venture loan has been 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 effects of both the previous and potential future local lockdown measures in Spain on tenants and their trading; and rent collection rates. An evaluation of these factors has allowed management to make a judgement on the probability of default which is considered to be the key input for the impairment calculation.

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.

Financial risk factors
The main risks arising from the Group's financial instruments and investment 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.

Credit risk
The Directors have considered the lasting effects that Covid-19 has on the recoverability of its asset. With regard to trade and other receivables, these were considered not to have been impaired due to Covid-19 at the balance sheet date since the March quarter rents were collected in full and sufficient provisions were made against aged tenant receivables where these were doubtful. Management will continue to monitor the ability of the tenants to pay in future.

With regard to the loan to the Seville joint venture, the Directors have assessed this for an expected credit loss under IFRS 9 and, consequently, recognised a full impairment against the receivable in the previous financial year; see note 5 for further details.

Market risk
While the impact of the Covid-19 pandemic continues to affect economic and property market risk, the Company's portfolio remains resilient, as evidenced by rent collection levels over the half year.

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.

The sensitivity of the market value of the investment properties to changes in the equivalent yield is also disclosed in note 3 of the financial statements.

Environmental, Social and Governance factors
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 Group continues to monitor individual assets and their conformity with sustainability requirements and is in the process of completing the Paris, Boulogne-Billancourt asset management initiative which entails enhancing the sustainability credentials of the investment, culminating in a favourable development profit which we are sharing in part with investors via special dividends.

The Group has the potential to implement a similar initiative in the Apeldoorn investment. Subject to the tenants' occupancy requirements, the Group will be looking to invest in the asset, substantially enhancing the sustainability rating and overall institutional appeal. Successful implementation of this has the potential for value creation whilst enhancing the investment's liquidity.

2. Rental and service charge income

	Six months to 31 March 2022 €000 (unaudited)	Six months to 31 March 2021 €000 (unaudited)	Year to 30 September 2021 €000 (audited)
Rental income	**6,968**	6,502	13,264
Service charge income	**2,206**	1,696	3,657
Total	**9,174**	8,198	16,921

Notes to the Financial Statements
Continued

3. Investment property

	Freehold €000
Fair value at 30 September 2020 (audited)	**181,093**
Acquisitions and acquisition costs	9,653
Additions	847
Net valuation loss on investment property	8,134
Fair value as at 30 September 2021 (audited)	**199,727**
Acquisitions and acquisition costs	1,741
Additions	270
Net valuation gain on investment property	7,853
Fair value as at 31 March 2022 (unaudited)	**209,591**

The fair value of investment properties, as determined by the valuer, totals €211,000,000 (30 September 2021: €201,075,000) 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 condensed consolidated interim financial statements of €209,591,000 includes a tenant incentive adjustment of €1,409,485 (30 September 2021: €1,348,000).

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 valuations have been undertaken in accordance with the current edition of the RICS Valuation – Global Standards, which incorporate the International Valuation Standards. References to the 'Red Book' refer to either or both of these documents, as applicable.

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

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

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

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

Quantitative information about fair value measurement using unobservable inputs (Level 3) as at 31 March 2022 (unaudited)

		Industrial	Retail (including retail warehouse)	Office	Total
Fair value (€000)[1]		62,600	69,550	105,650	237,800
Area ('000 sq. m)		81.26	44.32	54.58	180.16
Net passing rent € per sq. m per annum	Range	28.81 – 116.51	38.84 – 148.86	103.57 – 184.14	28.81 – 184.13
	Weighted average[2]	51.37	85.20	148.83	104.56
Gross ERV € per sq. m per annum	Range	40.00 – 89.61	101.58 – 162.27	79.93 – 224.34	40.00 – 224.34
	Weighted average[2]	49.01	131.01	168.51	126.09
Net initial yield[3]	Range	4.82 – 8.55	2.79 – 5.30	2.92 – 13.77	2.79 – 13.77
	Weighted average[2]	5.80	4.19	6.4	5.6
Equivalent yield	Range	4.50 – 6.75	4.95 – 7.30	3.18 – 11.93	3.18 – 11.93
	Weighted average[2]	5.28	5.88	6.24	5.99

Notes:
1 This table includes the joint venture investment property valued at €26.8 million which is disclosed within the summarised information within note 6 as part of total assets.
2 Weighted by market value.
3 Yields based on rents receivable after deduction of head rents and non-recoverables.

Quantitative information about fair value measurement using unobservable inputs (Level 3) as at 30 September 2021 (audited)

		Industrial	Retail (including retail warehouse)	Office	Total
Fair value (€000)[1]		57,125	69,400	103,750	230,275
Area ('000 sq. m)		77.434	44.350	54.580	176.364
Net passing rent € per sq. m per annum	Range	40.90 – 111.34	46.12 – 137.12	103.56 – 165.10	40.90 – 165.10
	Weighted average[2]	51.36	83.86	142.18	102.07
Gross ERV € per sq. m per annum	Range	39.00 – 89.61	101.58 – 155.40	79.93 – 224.34	39.00 – 224.34
	Weighted average[2]	49.14	131.94	168.86	128.04
Net initial yield[3]	Range	5.16 – 8.29	4.99 – 5.33	3.44 – 13.23	3.44 – 13.23
	Weighted average[2]	6.08	4.32	6.25	5.63
Equivalent yield	Range	5.05 – 6.84	5.09 – 7.32	3.43 – 11.54	3.43 – 11.54
	Weighted average[2]	5.62	6.11	6.41	6.12

Notes:
1 This table includes the joint venture investment property valued at €29.2 million which is disclosed within the summarised information within note 6 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
Given fair value measurement is an inherent judgement due to unobservable inputs, management have reviewed the ranges used in assessing the impact of changes in unobservable inputs on the fair value of the Group's property portfolio. We consider +/-10% for ERV, and +/-50bps for NIY to capture the uncertainty in these key valuation assumptions. The results of this analysis are detailed in the sensitivity table below.

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 is shown below:

Estimated movement in fair value of investment properties at 31 March 2022 (unaudited)	Industrial €000	Retail €000	Office €000	Total €000
Increase in ERV by 10%	4,800	5,600	8,800	19,200
Decrease in ERV by 10%	(4,800)	(6,100)	(9,000)	(19,900)
Increase in net initial yield by 0.5%	(5,600)	(6,500)	(8,500)	(20,600)
Decrease in net initial yield by 0.5%	6,700	6,300	10,000	23,000

Estimated movement in fair value of investment properties at 30 September 2021 (audited)	Industrial €000	Retail €000	Office €000	Total €000
Increase in ERV by 10%	4,300	6,300	8,600	19,200
Decrease in ERV by 10%	(4,300)	(6,850)	(8,950)	(20,100)
Increase in net initial yield by 0.5%	(4,900)	(5,800)	(7,950)	(18,650)
Decrease in net initial yield by 0.5%	5,850	6,800	9,550	22,200

4. 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 that the Group entered into was 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.

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 a further €16.9 million was payable upon completion of certain milestones and was received in December 2021.

The forward-funded sale contract also included a development element whereby the Group will undertake a comprehensive refurbishment of the asset on behalf of the purchaser over an approximate 18-month period with completion expected 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.

Notes to the Financial Statements
Continued

4. Recognition of development revenue and profit (continued)
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 a total development revenue of €25.5 million.

During the period €7.9 million of development cost has been incurred (30 September 2021: €8.27 million) which, to date, represents 68% of the total project expenditure and a sum of €9.7 million (30 September 2021: €9.8 million) of development revenue has been recognised following consideration of the factors identified above; this was also due from the purchaser at period end. Total development revenue from this contract recognised since inception is €19.5 million.

The remaining development revenue is expected to be recognised by 30 September 2022.

The total amount of the contract asset recognised by the Group that is due from the purchaser thereby totalled €12.6 million (30 September 2021: €26.7 million) at the period end and is included in trade and other receivables.

5. Provision of internal loan made to Seville joint venture
As at 31 March 2022 the Group owned 50% of the Metromar JV, which owns a shopping centre in Seville, and had advanced €10 million as a loan and was owed interest of €1.3 million (30 September 2021: €1.1 million) (31 March 2021: €0.9 million). 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, deemed to be a significant judgement, the Company primarily considered: the property valuation and future potential movements; debt covenant breaches; cash flow forecasts; the effects of the local lockdown measures in Spain on tenants and their trading; and rent collection rates.

A default rate of 100% has been applied to the above loan and unpaid interest at year end. The impairment provision booked during the year was €0.2 million (30 September 2021: €8.5 million) bringing the cumulative impairment to €11.3 million (30 September 2021: €11.1 million, 31 March 2021: €10.9 million) and the Group's investment with regard to Seville stands at €nil.

6. Investment in joint ventures
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 Velázquez 3, 4th Madrid 28001 Spain.

	31 March 2022 €000
Balance as at 1 October 2021 (audited)	–
Share of loss for the period	–
Balance as at 31 March 2022 (unaudited)	–

	31 March 2021 €000
Balance as at 1 October 2020 (audited)	–
Share of loss for the period	–
Balance as at 31 March 2021 (unaudited)	–

	30 September 2021 €000
Balance as at 1 October 2020 (audited)	–
Investment in joint venture	60
Share of loss for the year	(60)
Balance as at 30 September 2021 (audited)	–

Summarised joint venture financial information:	**31 March 2022 €000 (unaudited)**	31 March 2021 €000 (unaudited)	30 September 2021 €000 (audited)
Total assets	**30,508**	33,226	32,220
Total liabilities	**(48,047)**	(46,434)	(46,830)
Net liabilities	**(17,539)**	**(13,208)**	**(14,610)**
Net asset value attributable to the Group	**–**	–	–

	Six months to 31 March 2022 €000 (unaudited)	Six months to 31 March 2021 €000 (unaudited)	Year to 30 September 2021 €000 (audited)
Revenues	**1,734**	2,286	3,146
Total comprehensive loss	**(2,929)**	(12,438)	(120)
Total comprehensive loss attributable to the Group	**–**	–	(60)

As at 31 March 2022, the joint venture in Seville, of which SEREIT holds a 50% share, had total net liabilities of €17,539,000. 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.

7. Taxation

	Six months to 31 March 2022 €000 (unaudited)	Six months to 31 March 2021 €000 (unaudited)	Year to 30 September 2021 €000 (audited)
Current tax charge	**771**	651	1,196
Deferred tax charge	**1,071**	912	1,920
Tax expense in period/year	**1,842**	**1,563**	**3,116**

	Current tax liability €000	Deferred tax liability €000
As at 1 October 2021 (audited)	**590**	**3,844**
Tax charge for the period	771	1,071
Tax paid during the period	(532)	–
Balance as at 31 March 2022 (unaudited)	**829**	**4,915**

	Current tax liability €000	Deferred tax liability €000
As at 1 October 2020 (audited)	**(9)**	**1,924**
Tax charge for the period	651	912
Tax paid during the period	(556)	–
Balance as at 31 March 2021 (unaudited)	**86**	**2,836**

	Current tax liability €000	Deferred tax liability €000
As at 1 October 2020 (audited)	**(9)**	**1,924**
Tax charge for the period	1,196	1,920
Tax paid during the period	(597)	–
Balance as at 30 September 2021 (audited)	**590**	**3,844**

The Company has been approved by HM Revenue and Customs as an investment trust in accordance with section 1158 of the Corporation Tax Act 2010, by way of a one-off application, and it is intended that the Company will continue to conduct its affairs in a manner which will enable it to retain this status. The Company and certain subsidiary entities have also elected to be treated as a société d'investissement immobilier cotée ('SIIC') for French tax purposes. Provided that the Group meets certain requirements, the Group's French subsidiaries should be exempt from French corporate income tax 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

Notes to the Financial Statements
Continued

7. Taxation (continued)
adopted in respect of the Group's tax structures. The range of potential outcomes is a possible outflow of minimum £nil and maximum £9 million (excluding possible interest and penalties). The Directors have not provided for this amount because they do not believe an outflow is probable.

8. Basic and diluted earnings per share
The basic and diluted earnings per share for the Group are based on the net profit/(loss) for the period, excluding currency translation differences, of €10,891,000 (six months to 31 March 2021: €(741,000); for the year ended 30 September 2021: €6,237,000) and the weighted average number of ordinary shares in issue during the period of 133,734,686 (six months to 31 March 2021: 133,734,686; for the year ended 30 September 2021: 133,734,686).

9. Interest-bearing loans and borrowings

	Six months to 31 March 2022 €000
As at 1 October 2021 (audited)	**68,589**
Capitalisation of finance costs	**(15)**
Amortisation of finance costs	**83**
As at 31 March 2022 (unaudited)	**68,657**

	Year to 30 September 2021 €000
As at 1 October 2020 (audited)	**68,372**
Capitalisation of finance costs	(21)
Amortisation of finance costs	238
As at 30 September 2021 (audited)	**68,589**

	Six months to 31 March 2021 €000
As at 1 October 2020 (audited)	**68,372**
Capitalisation of finance costs	–
Amortisation of finance costs	64
As at 31 March 2021 (unaudited)	**68,436**

The Company entered into a revolving credit facility in relation to the Paris BB refurbishment. The maximum amount that can be drawn down is €13.6 million, with nil drawn at 31 March 2022.

Three loans totalling €30 million fall due in 2023. The Group has plans to refinance and has commenced preliminary discussions with lenders on this matter. However, the Group would also have sufficient cash or liquid assets to repay these loans in the downside scenario of refinancing not being achieved.

10. Issued capital and reserves
As at 31 March 2022, the Company has 133,734,686 (30 September 2021 : 133,734,686) ordinary shares in issue with a par value of 10.00p (no shares are held in Treasury). The total number of voting rights in the Company is 133,734,686.

11. NAV per ordinary share
The NAV per ordinary share is based on the net assets at 31 March 2022 of €199,124,000 (30 September 2021: €199,532,000; 31 March 2021: €197,144,000) and 133,734,686 ordinary shares in issue at 31 March 2022 (30 September 2021: 133,734,686; 31 March 2021: 133,734,686).

12. Dividends paid

Six months ended 31 March 2022 (unaudited)	Number of ordinary shares	Rate (cents)	€000
Interim dividend paid on 8 November 2021	133,734,686	1.85	2,474
Interim dividend paid on 15 January 2022	133,734,686	1.85	2,474
Special dividend paid on 15 January 2022	133,734,686	4.75	6,353
Total interim dividends paid			**11,301**

Six months ended 31 March 2021 (unaudited)	Number of ordinary shares	Rate (cents)	€000
Interim dividend paid on 23 October 2020	133,734,686	1.39	1,859
Interim dividend paid on 25 January 2021	133,734,686	1.57	2,100
Total interim dividends paid			**3,959**

Year ended 30 September 2021 (audited)	Number of ordinary shares	Rate (cents)	€000
Interim dividend paid on 23 October 2020	133,734,686	1.39	1,858
Interim dividend paid on 25 January 2021	133,734,686	1.57	2,100
Interim dividend paid on 13 April 2021	133,734,686	1.57	2,100
Interim dividend paid on 16 August 2021	133,734,686	1.85	2,474
Total interim dividends paid			**8,532**

13. Related party transactions
Schroder Real Estate Investment Management Limited is the Group's Investment Manager.

The Investment Manager is entitled to a fee, together with reasonable expenses, incurred in the performance of its duties. The fee is payable monthly in arrears and shall be an amount equal to one-twelfth of the aggregate of 1.1% of the EPRA NAV of the Company. The Investment Management Agreement can be terminated by either party on not less than 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 period was €1,136,995 (year ended 30 September 2021: €2,181,000; six months ended 31 March 2021: €1,099,000). At 31 March 2022, €378,740 was outstanding (year ended 30 September 2021: €706,000; six months ended 31 March 2021: €738,000).

The Directors are the only officers of the Company and there are no other key personnel. The Directors' remuneration for services to the Group for the six months ended 31 March 2022 was €108,000 (year ended 30 September 2021: €156,882; six months ended 31 March 2021: €89,969), equivalent to £85,000. Three of the four Directors hold shares in the Company and have not purchased or sold any shares in the financial period. Details of their holdings can be found on page 46 of the September 2021 Annual Report and Consolidated Financial Statements.

14. Capital commitments
At 31 March 2022, the Group had capital commitments of €389,400 (30 September 2021: €51,000; 31 March 2021: €126,000).

15. Contingent liabilities
There are no contingent liabilities other than those disclosed in note 7.

16. Post balance sheet events
The Fund exchanged on an acquisition of a car showroom in Cannes, France for a net purchase price of €8,440,000 on 14 April 2022. The acquisition is expected to complete in June 2022.

EPRA and headline performance measures (unaudited)

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

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

	Six months to 31 March 2022 €000 (unaudited)	Six months to 31 March 2021 €000 (unaudited)	Year to 30 September 2021 €000 (audited)
Total IFRS comprehensive income	**10,893**	(723)	6,238
Adjustments to calculate EPRA earnings:			
Net (gain)/loss from fair value adjustment on investment property	**(7,853)**	(5,462)	(8,573)
Currency translation differences (unrealised)	**(2)**	(18)	1
Net development (revenue)/expenditure	**(1,839)**	26	(1,541)
Share of joint venture loss on investment property	**–**	–	554
Deferred tax	**1,071**	912	1,920
Tax on development profit	**460**	–	454
Current tax – restructuring	–	–	–
Net change in fair value of financial instruments	**(235)**	(1)	7
Provision of internal loan made to Seville joint venture (excluding interest)	**–**	8,065	7,543
EPRA earnings	**2,495**	**2,799**	**6,601**
Weighted average number of ordinary shares	**133,734,686**	133,734,686	133,734,686
IFRS earnings and diluted earnings (cents per share)	**8.1**	**(0.6)**	**4.7**
EPRA earnings per share (cents per share)	**1.9**	**2.1**	**4.9**

b. EPRA Net Reinstatement Value

	Six months to 31 March 2022 €000 (unaudited)	Six months to 31 March 2021 €000 (unaudited)	Year to 30 September 2021 €000 (audited)
IFRS equity attributable to shareholders	**199,124**	197,144	199,532
Deferred tax and tax on development and trading properties	**4,915**	2,835	4,298
Adjustment in respect of joint venture deferred tax	**–**	207	–
Adjustment for fair value of financial instruments	**(248)**	(22)	(14)
Adjustment in respect of real estate transfer taxes	**16,100**	15,130	15,824
EPRA NAV	**219,891**	**215,294**	**219,640**
Shares in issue at end of year	**133,734,686**	133,734,686	133,734,686
IFRS Group NAV per share (cents per share)	**148.8**	**147.4**	**149.2**
EPRA NAV per share (cents per share)	**164.4**	**161.0**	**164.2**

c. EPRA Net Tangible Assets

	Six months to 31 March 2022 €000 (unaudited)	Six months to 31 March 2021 €000 (unaudited)	Year to 30 September 2021 €000 (audited)
IFRS equity attributable to shareholders	**199,124**	197,144	199,532
Deferred tax	**4,915**	2,835	4,298
Adjustment in respect of joint venture deferred tax	**–**	207	–
Adjustment for fair value of financial instruments	**(248)**	(22)	(14)
EPRA NAV	**203,791**	**200,164**	**203,816**
Shares in issue at end of year	**133,734,686**	133,734,686	133,734,686
IFRS Group NAV per share (cents per share)	**148.8**	**147.4**	**149.2**
EPRA NAV per share (cents per share)	**152.4**	**149.7**	**152.4**

d. EPRA Net Disposal Value

	Six months to 31 March 2022 €000 (unaudited)	Six months to 31 March 2021 €000 (unaudited)	Year to 30 September 2021 €000 (audited)
IFRS equity attributable to shareholders	**199,124**	197,144	199,532
Adjustment for the fair value of fixed interest rate debt	**374**	315	278
EPRA NAV	**199,498**	**197,459**	**199,810**
Shares in issue at end of year	**133,734,686**	133,734,686	133,734,686
IFRS Group NAV per share (cents per share)	**148.8**	**147.4**	**149.2**
EPRA NAV per share (cents per share)	**149.2**	**148.0**	**149.4**

e. EPRA comparatives

	EPRA NRV €000	EPRA NTA €000	EPRA NDV €000
IFRS NAV in the period	199,124	199,124	199,124
Exclude: deferred tax	4,915	4,915	–
Exclude: the fair value of financial instruments	(248)	(248)	–
Include: the fair value of fixed rate interest rate debt	–	–	374
Include: real estate transfer tax	16,100	–	–
EPRA NAV totals	**219,891**	**203,791**	**199,498**

f. Headline earnings reconciliation

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

	Six months to 31 March 2022 €000 (unaudited)	Six months to 31 March 2021 €000 (unaudited)	Year to 30 September 2021 €000 (audited)
Total IFRS comprehensive income	**10,893**	(723)	6,238
Adjustments to calculate headline earnings exclude:			
Net valuation (profit)/loss on investment property	**(7,853)**	(5,462)	(8,573)
Net development (revenue)/expenditure	**(1,839)**	26	(1,541)
Share of joint venture loss on investment property	**–**	–	554
Deferred tax	**1,071**	912	1,920
Tax on development profit	**460**	–	454
Net change in fair value of financial instruments	**(235)**	(1)	7
Provision of internal loan made to Seville joint venture (excluding interest)	**–**	8,065	7,543
Headline earnings	**2,497**	**2,817**	**6,602**
Weighted average number of ordinary shares	**133,734,686**	133,734,686	133,734,686
Headline and diluted headline earnings per share (cents per share)	**1.9**	**2.1**	**4.9**

Glossary

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

Alternative Performance Measures (unaudited)

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

Dividend Cover – the ratio of EPRA earnings (page 30) to dividends paid (note 12) in the period. Earnings excludes capital items such as revaluation movements on investments and gains or losses on the disposal of investment properties.

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

EPRA Earnings – earnings excluding all capital components not relevant to the underlying net income performance of the Company, such as the unrealised fair value gains or losses on investment properties and any gains or losses from the sales of properties. See page 30 for a reconciliation of this figure.

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

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

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

Gross LTV – the value of the external loans unadjusted for unamortised arrangement costs (page 6) expressed as a percentage of the gross assets excluding cash as at the balance sheet date. The gross assets are calculated on a proportional basis and include the Group's 50% share in the Seville joint venture.

LTV Net of Cash – the value of the external loans unadjusted for unamortised arrangement costs (page 6) less cash held (page 19) expressed as a percentage of the gross assets including cash as at the balance sheet date. The gross assets are calculated on a proportional basis and include the Group's 50% share in the Seville joint venture.

Ongoing Charges (including fund-only expenses) – all fund costs expected to be regularly incurred and that are payable by the Company expressed as a percentage of the average quarterly NAVs of the Company for the financial period. Any capital costs, including capital expenditure or acquisition/disposal fees, are excluded.

Ongoing Charges (including fund and property expenses) – all operating costs expected to be regularly incurred and that are payable by the Company expressed as a percentage of the average quarterly NAVs of the Company for the financial period. Any capital costs, including capital expenditure and acquisition/disposal fees, are excluded.

Share Discount/Premium – the share price of the Company is derived from buyers and sellers trading their shares on the stock market. This price is not identical to the NAV per share of the underlying assets less liabilities of the Company. If the share price is lower than the NAV per share, the shares are trading at a discount. Shares trading above the NAV per share are said to be at a premium. The discount/premium is calculated as the variance between the share price as at the balance sheet date and the NAV per share (page 6) expressed as a percentage.

NAV total return – the return to shareholders calculated on a per share basis by adding dividends paid (note 12) in the period on a time-weighted basis to the increase or decrease in the NAV per share (page 6).

Corporate Information

Directors
Sir Julian Berney Bt.
Jonathan Thompson
Mark Patterson
Elizabeth Edwards

Investment Manager
Schroder Real Estate Investment Management Limited
1 London Wall Place
London EC2Y 5AU

Registered Office
1 London Wall Place
London EC2Y 5AU

Company Secretary
Schroder Investment Management Limited
1 London Wall Place
London EC2Y 5AU

Solicitors to the Company
Stephenson Harwood LLP
1 Finsbury Circus
London EC2M 7SH

Independent Auditors
PricewaterhouseCoopers LLP
7 More London
Riverside
London SE1 2RT

Property Valuers
Knight Frank LLP
55 Baker Street
London W1U 8AN

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

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

Legal Entity Identifier (LEI):
549300BHT1Z8NI4RLD52

JSE Sponsor
PSG Capital (Pty) Limited
1st Floor, Ou Kollege Building
35 Kerk Street
Stellenbosch 7600

Corporate Broker – UK
Numis Securities Limited
10 Paternoster Square
London EC4M 7LT

Transfer Secretary
Computershare Investor Services (Pty) Limited
Private Bag X9000
Saxonwold 2132
South Africa

Registrar
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

Shareholder Helpline:
0800 032 0641[1]

Website: www.shareview.co.uk

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

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

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Schroders

Schroder Real Estate Investment Management Limited
1 London Wall Place
London EC2Y 5AU
United Kingdom
Tel: +44 (0)20 7658 6000