

SCHRODER EUROPEAN REAL ESTATE INVESTMENT TRUST PLC

Half Year Report and Condensed Consolidated
Interim Financial Statements

For the six month period ended 31 March 2023



Schroders
capital



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

Highlights

For the six month period to 31 March 2023

€243.2m^{1,2,3}

Portfolio value, comprising 15 commercial investments located in France, Germany, the Netherlands, and available cash holdings

€33.0m

Strong balance sheet with significant cash of €33.0 million, providing flexibility

€12.2m

One acquisition in Q1 2023 deploying €12.2 million into an award winning industrial asset in the Netherlands with excellent income and sustainability credentials

-€8.7m/-4.7%¹

IFRS loss of €8.7 million, reflecting a net asset value ('NAV') total return of -4.7% over six months

€4.9m/3.7cps

Dividends declared of €4.9 million/3.7 euro cps for the six months

€3.8m¹

EPRA earnings of €3.8 million over six months, reflecting an increase of 5% over the previous six month EPRA earnings

23%^{1,2}

LTV net of cash of 23% / LTV gross of cash 32%

-2.3%

Real estate total return of -2.3% over the six months

Why invest

A unique and compelling opportunity to invest in a diversified portfolio of commercial Continental European real estate

- 90% of the portfolio by value located in higher-growth regions
- Income considered to be a strong inflation hedge with all leases subject to indexation and c.80.0% annually indexed
- Attractive dividend yield
- Significant investable firepower and strong balance sheet
- Local investment and asset management teams with specialist sector and country knowledge
- Hospitality-led approach to asset management and tenant relationships enhancing returns
- A track record of successfully executing on asset management initiatives to generate strong shareholder returns
- Opportunity to improve portfolio sustainability credentials and leveraging Schroders' market leading expertise



GRESB
★★★★☆ 2022

Global Real Estate Sustainability Benchmark ('GRESB') four star rating achieved for 2022



- 1 These are Alternative Performance Measures ('APMs').
- 2 Includes available cash of €23.0 million (internally calculated).
- 3 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 properties¹

15

Portfolio value^{1,2}

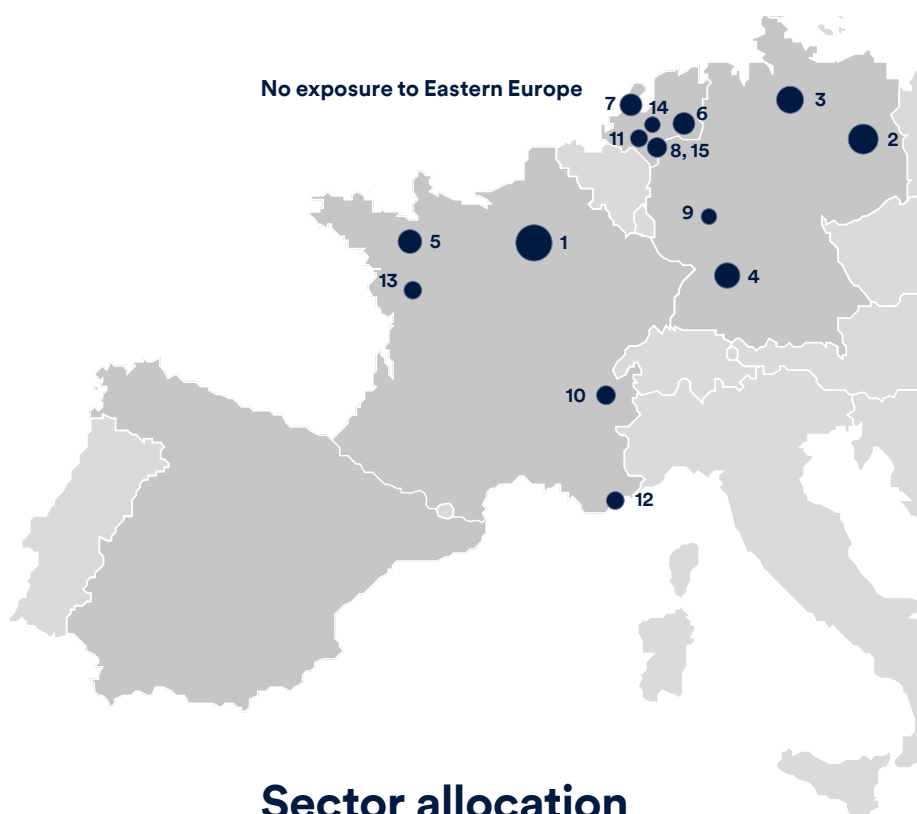
€243.2m

Number of tenants¹

46

Occupancy¹

96%



Top ten properties

Property	Sector	Value (€m / % portfolio) ^{1,2}
1 France, Paris (Saint-Cloud)	Office	€39.1m / 16%
2 Germany, Berlin	Retail/DIY	€30.1m / 12%
3 Germany, Hamburg	Office	€23.5m / 10%
4 Germany, Stuttgart	Office	€20.6m / 8%
5 France, Rennes	Industrial	€19.7m / 8%
6 Netherlands, Apeldoorn	Mixed	€16.0m / 7%
7 Netherlands, Alkmaar	Industrial	€11.5m / 5%
8 Netherlands, Venray	Industrial	€11.2m / 5%
9 Germany, Frankfurt	Retail/grocery	€11.1 / 5%
10 France, Rumilly	Industrial	€10.0m / 4%

Remaining five properties shown on the map are:

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

Sector allocation

Sector	Weighting ^{1,2}
Office	34%
Industrial	30%
DIY and Grocery	17%
Other	10%
Cash	9%

1 Excludes the Seville property for which the NAV exposure is nil.
2 Includes available cash of €23.0 million (internally calculated).

Sectors^{1,2}

Office

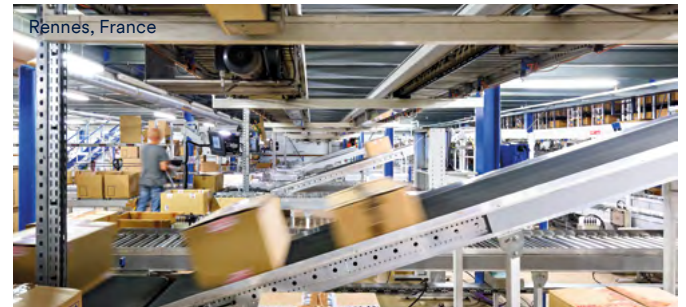
34% (March 2022: 36%)



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 Environmental, Social and Governance ('ESG') focus.

Industrial warehousing

30% (March 2022: 25%)



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.

DIY and Grocery

17% (March 2022: 17%)



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.

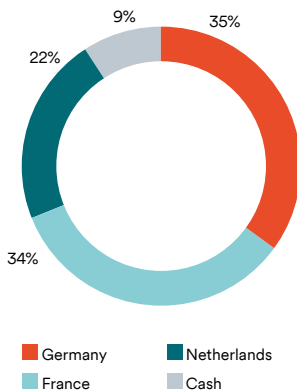
Other

10% (March 2022: 7%)

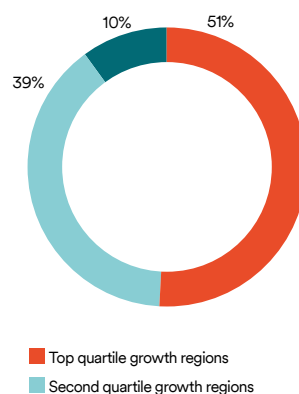


The Company owns two assets which are classified as belonging to alternative sectors. This includes a mixed-use data centre and office building located in Apeldoorn, one hour from Amsterdam. The asset provides stable income let to a strong covenant and options to redevelop for an alternative use. The second asset comprises a car showroom in Cannes, located in a strong car dealership agglomeration that further benefits from alternate use to medium density residential.

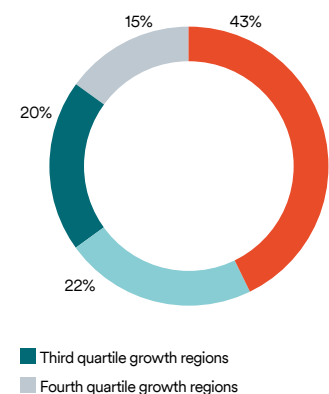
Portfolio country allocation^{1,2}



SEREIT capital value³



Investment universe capital value³



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

2 Includes available cash of €23.0 million (internally calculated).

3 Investment universe consisting of 840 NUTS3 regions. Data based on Oxford Economics' annual GDP growth forecasts.

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 under way, 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.



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.



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.



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.



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.



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.

Performance Summary

Property performance	31 March 2023	31 March 2022	30 September 2022
Value of property assets ¹	€220.2m	€211.0m	€218.7m
Annualised rental income ¹	€16.5m	€14.3m	€15.3m
Estimated market rental value ¹	€15.8m	€14.0m	€14.7m
Underlying portfolio total return in the reporting period	(2.3%)	4.8%	6.9%
Underlying portfolio income return in the reporting period	3.0%	1.9%	4.1%

Financial summary	31 March 2023	31 March 2022	30 September 2022
NAV ²	€177.1m	€199.1m	€188.2m
NAV per ordinary share (euro)	132.4c	148.8c	140.8c
NAV total return (euro)	(4.7%)	5.5%	7.3%
IFRS profit/(loss) after tax	(€8.7m)	€10.9m	€13.9m
EPRA earnings ^{1,3}	€3.8m	€2.5m	€6.1m
Dividend cover	76%	50%	61%

Capital values ⁴	31 March 2023	31 March 2022	30 September 2022
Share price	82 pps/ZAR 18.8	115 pps/ZAR 21.0	88.0 pps/ZAR 17.85
IFRS NAV per share	116.2 pps/ZAR 25.6	125.5 pps/ZAR 24.1	123.5 pps/ZAR 24.92

Earnings and dividends ⁵	31 March 2023	31 March 2022	30 September 2022
IFRS earnings	(6.5 cps)	8.1 cps	10.4 cps
EPRA earnings ³	2.8 cps	1.9 cps	4.5 cps
Headline earnings ³	2.8 cps	1.9 cps	4.5 cps
Ordinary dividends declared	3.7 cps	3.7 cps	7.4 cps
Special dividend declared	–	4.8 cps	4.85 cps

Bank borrowings	31 March 2023	31 March 2022	30 September 2022
External bank debt (excluding costs)	€84.7m	€80.7m	€80.7m
Loan to value ratio based on GAV net of cash/gross of cash	23%/32%	18%/28%	20%/29%

Ongoing charges ⁵	31 March 2023	31 March 2022	30 September 2022
Ongoing charges (fund operating expenses only)	2.34%	2.18%	2.23%
Ongoing charges (fund and property operating expenses)	3.45%	2.92%	3.12%

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

2 NAV impacted by return to shareholders of €12.9m in special dividends.

3 EPRA and Headline earnings are Alternative Performance Measures ('APMs'). For a reconciliation to IFRS earnings, see pages 30-31.

4 pps refers to pence per share.

5 cps refers to euro cents per share.

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



Rent collection update¹

	Office		Industrial		DIY and Grocery		Mixed		Total portfolio	
	2022	2023 H1	2022	2023 H1	2022	2023 H1	2022	2023 H1	2022	2023 H1
As at 31 March 2023										
Paid	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Deferred	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Renegotiated/Outstanding	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	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. 2022 refers to the SEREIT 2022 full year period between Q4 2021 and Q3 2022. 2023 H1 refers to the SEREIT 2023 half year period between Q4 2022 to Q1 2023.

Chairman's Statement



Sir Julian Berney Bt.
Chairman

DIVERSIFYING THE PORTFOLIO

Company's diversification, balance sheet strength and modest leverage positions it well to deal with current headwinds

Overview

I am pleased to report the unaudited interim results for the six month period ended 31 March 2023. Against a challenging backdrop, the Company has delivered a relatively good set of financial results, underpinned by strong occupancy, the portfolio's indexation characteristics and the quality of assets in Winning Cities and Regions of Continental Europe. The NAV total return was -4.7% over the period and reflected a €11.8 million decline in the portfolio value, net of capex and tenant incentives, or -5.1% on a like-for-like basis. Commercial real estate values have been falling across the UK and Europe as a result of general economic and political uncertainty, investors' pricing of risk and availability and cost of financing.

Rent collection has been strong and, excluding Seville, stands at 100% for the six months to 31 March 2023, demonstrating the strength of underlying covenants. Overall, the Board is pleased with the resilience of the portfolio and the Investment Manager's efforts in delivering on its asset management programme. Having a diversified portfolio with local management teams who truly understand their local markets and with a strong track record in managing sustainability improvements will be increasingly important in managing risk and protecting shareholder value.

Whilst we have witnessed yields across the portfolio deteriorate by 50 basis points ('bp'), this has been offset by positive indexation assisting with rental growth. Whilst this valuation decline compares very favourably with the UK-listed peer group, there remains considerable uncertainty over the pace at which investor sentiment will rebound in a meaningful way, given the persistently high interest rate environment. Whilst the Company's strong cash position and operational resilience enabled the quarterly dividend of 1.85 euro cents per share to be maintained in the financial period, we have consistently stated that we would review the dividend position taking into account portfolio occupancy, rent collection levels, market sentiment, refinancing and dividend cover. Despite the Company being in a robust position with regard to a number of these metrics, the unprecedented macroeconomic backdrop means that we lack the clarity around near-term recurring earnings to continue with our current dividend strategy.

Whilst the option to continue paying an uncovered dividend, as many of the peer group do, was strongly considered, the Investment Manager and Board believe that the more prudent, responsible and decisive course of action, and the one that best protects the interest of shareholders, is to rebase the target quarterly dividend level to 1.48 euro cents per share commencing with our third interim dividend payable in October 2023. The drivers of this decision are threefold. The Company faces a number of upcoming refinancings in 2023 and 2024 and, whilst we have had very encouraging conversations with a wide pool of lenders, the backdrop is more challenging. Secondly, there is no appetite to be forced into the investment market simply to improve the rent roll. We have always been highly selective in deploying shareholder capital and would rather wait patiently for the right opportunities to come along, albeit we recognise that this does not deliver near-term income. And finally, the Investment Manager is reviewing a programme of sustainability-led capital expenditure initiatives as a means of improving income, quality and asset liquidity as an alternative to new acquisitions, which it has the expertise to deliver but will require a more medium-term horizon. The rebased dividend will differentiate the Company from a number of our peers, providing significant flexibility, and enabling us to pay a covered dividend, that can be grown over time.

As at 31 March 2023, the Company's direct property portfolio was valued at €220.2 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 15 investments in the most liquid investment markets in France, Germany and the Netherlands, concentrated in Winning Cities such as Paris, Stuttgart, Hamburg, Frankfurt and Berlin. The exposure to higher-growth sectors such as industrial has increased over the period to c.30%. The office exposure comprises c.34% and is concentrated to assets in leading urban centres, in highly accessible sub-markets and leased off affordable rents whilst the retail exposure (c.17%) is solely focused on DIY/grocery, the more essential-spend consumer sub-sectors. In addition the Company has €23 million of available cash, providing a robust position to manage the Company through current headwinds.

The Board has been clear in its intention to be prudent in its approach to deploying the remaining investment capacity of c.€40 million, including further gearing.

The Investment Manager continues to screen investment opportunities consistent with the investment strategy. In this regard, the recent acquisition of the c.€11.2 million industrial investment in Alkmaar, the Netherlands, is a welcome addition. The investment improves the diversification and quality of the portfolio from a construction, sustainability and income perspective, particularly given it is a twenty year sale and leaseback to a strong covenant.

The expectations are for volatility in markets to continue. It is clear that the banking industry is tightening its approach to lending, particularly on those office and retail assets that rate poorly from a sustainability perspective. These issues, together with broader macroeconomic and political concerns, are likely to see further pressures on values. The Company has a number of refinancings to manage over the course of 2023 and 2024 and the ability to refinance, and at competitive rates, will be paramount to how cash is utilised. Gearing levels are considered modest c.32% (23% net of cash) and the intention, for now, is to continue to run the Company with headroom to the maximum loan to value ('LTV') of 35%.

European leases typically provide for rents to be indexed to inflation. The majority (80%) of the Company's income is subject to annual indexation with the remaining 20% linked to a hurdle (typically 10%), hence we expect nearly all the leases to directly benefit from inflation. Across the direct portfolio, all tenants have complied with payments in accordance with their respective indexation clauses.

We continue to finalise the remaining items around the Paris BB refurbishment. As at 31 March 2023, a further €1.5 million remains to be paid to the contractor and the Company is owed €5.3 million from the purchaser and is subject to meeting certain criteria. There remains potentially up to €1.3 million of pre-tax profit still to be released in the NAV.

Sustainability considerations continue to gain momentum and are becoming increasingly more prevalent in occupier and investor decisions. The Investment Manager continues to review each asset and ways to improve sustainability credentials, making the investments more relevant to occupiers, lenders and investors and supporting delivery of enhanced returns.

Strategy

The strategy remains focused on delivering shareholders with an attractive level of income together with the potential for income and capital growth through investing in commercial real estate in Continental Europe. The Investment Manager takes an active approach, seeking ways to improve the quality, liquidity, sustainability and appeal of investments to both occupiers and investors through active management and capital investment. It is well positioned to drive income and value growth, relying heavily on its local sector specialist teams who are recognised for their operational excellence and hospitality mindset. They manage each asset as a business by itself, with a tailored business plan, engaging with local tenants to optimise long-term sustainable income and value across the lifetime of the investment. Being diversified has been helpful, particularly given the headwinds facing secondary offices and select retail.

The recent Dutch industrial acquisition has increased our industrial exposure to c.30%, a sector the Investment Manager expects stronger growth in, whilst our retail exposure centres on DIY and grocery, which fall into the 'essential spend' category and are showing strong resilience. Our offices reflect c. 34% and are in leading cities and, although not prime, have characteristics suited to many occupiers, particularly given their urban locations, accessibility and affordability. Pricing risk and value with today's uncertainty is challenging. It is the intention to remain prudent in our investment approach with a clear bias to protecting asset values and liquidity, whilst also being mindful of maintaining a robust balance sheet.

Financial results

The NAV total return was -4.7% over the interim period based on an IFRS loss of €8.7 million. Returns were driven primarily by a fall in valuations. All sectors are seeing re-pricing, driven largely by higher discount rates, partially as a result of the change in availability and cost of financing. The independent valuers have reduced capitalisation rates between 20bp and 75bp (weighted average c.50bp) with value declines mitigated by rental indexation and for some assets, notably Hamburg and Stuttgart offices, by ERV growth. Underlying EPRA earnings were €3.8 million for the period, (H1 22: €2.5 million). Earnings will further increase with the recent acquisition in Alkmaar and investment of capital into enhancing opportunities. The Company's NAV as at 31 March 2023 decreased €11.1 million, or 6%, to €177.1 million, or 132.4 euro cents per share, over the period.

Balance sheet and debt

With current market volatility and uncertainty the retention of a healthy balance sheet is vital. At the period end, third-party debt totalled €84.7 million, representing an LTV net of cash of 23% 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 2.5% per annum. The weighted average duration of the loans is 2.3 years, with the earliest loan maturity in 2023. All loans except Seville are in compliance with their default covenants. The Seville loan remains in a 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 to c.300bp. Traditional lenders are tightening their approach, being more selective on not only who they lend to, LTV limits, but also around asset quality. In some instances, we are seeing alternative lending platforms step in to fill the void as banks scale back their appetite for risk. More detail of the individual loans is provided in the Investment Manager's Report. The Company has c.€40 million of cash and debt capacity, which provides significant flexibility.

Dividends

The Board has elected, for this quarter, to continue with the 1.85 euro cps quarterly dividend. Total dividends declared relating to the six months of the current financial year are now 3.7 euro cps. The dividend cover for the interim period was c.80%. Whilst the option to continue paying an uncovered dividend, as many of the peer group, was strongly

considered, the Investment Manager and Board believe that the more prudent, responsible and decisive course of action, and the one that best protects the interest of shareholders, is to rebase the target quarterly dividend level to 1.48 euro cps commencing with our third interim dividend payable in October 2023.

Sustainability

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

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

Outlook

Confidence surrounding the European economy is improving with recessionary fears diminishing. Expectations are for economic growth to be modest for some time, as governments continue to tighten economic policies to reduce inflation and preserve financial stability. As a result, the pricing of real estate will continue to be challenging and exacerbated by rising debt costs, sustainability concerns and corporates post-Covid optimum occupational intentions. Banks are becoming much more discerning on who they lend to and the type of real estate they wish to lend on. Their clear preference to focus on better quality assets that meet sustainability benchmarks will continue. As a result, we anticipate further valuation falls as investors face refinancing dilemmas, sustainability risks and equity investors re-price their cost of capital. We will continue to manage the portfolio in light of these risks, ensuring a strong balance sheet and an ability to refinance on the best available terms as and when required, and invest in the portfolio to enhance its sustainability credentials, thereby optimising earnings growth and asset liquidity, in order to drive longer-term returns. With the strength of our balance sheet, underlying assets and the growth regions that we are exposed to, we believe that we are well placed to manage such risks.

Sir Julian Berney Bt.
Chairman

27 June 2023

Investment Manager's Report



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

Results

The net asset value ('NAV') as at 31 March 2023 stood at €177.1 million (£155.9 million), or 132.4 euro cents (116.6 pence) per share, resulting in a NAV total return of -4.7% over the six months to 31 March 2023.

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 in euro cents per share.

NAV movement	€m	cps ¹	% change per cps ²
Brought forward as at 1 October 2022	188.2	140.8	–
Unrealised gain in the valuation of the real estate portfolio	(9.7)	(7.3)	(5.2)
Capital expenditure	(2.2)	(1.6)	(1.2)
Transaction costs	(1.2)	(0.9)	(0.6)
Paris BB post-tax development profit	(0.0)	(0.0)	(0.0)
Movement on the Seville JV investment	(0.0)	(0.0)	(0.0)
EPRA earnings ³	3.8	2.8	2.0
Non-cash/capital items	0.7	0.5	0.3
Dividends paid	(2.5)	(1.9)	(1.3)
Carried forward as at 31 March 2023	177.1	132.4	(6.0)

1 Based on 133,734,686 shares.

2 Percentage change based on the starting NAV as at 1 October 2022.

3 EPRA earnings as reconciled on page 30 of the financial statements.

Strategy

The Company aims to provide shareholders with an attractive level of income with the potential for long-term, sustainable income and growth. The strategy to deliver this includes:

- Driving income and value growth through a hospitality approach in tenant management (understanding tenant business, strengths and pressures) and operational excellence in all sectors (optimising operations in the assets, minimising use of scarce resources and waste);
- Executing asset management initiatives to enhance the income profile, individual asset values and sustainability credentials;
- Applying our integrated sustainability and ESG approach at all stages of the investment process and asset lifecycle;
- Applying a research-led approach to determine attractive sectors and locations in which to invest in commercial real estate;
- Maintaining a strong balance sheet with a loan to value, net of cash, below 35%;
- Managing portfolio risk in order to enhance the portfolio's defensive qualities.

The following progress has been made delivering on the strategy:

- The acquisition of an award winning industrial investment in Alkmaar, the Netherlands, with excellent sustainability credentials, including on-site renewable energy and an EPC rating of A+. The long-term sale and leaseback not only strengthens the portfolio's physical and sustainability qualities but also income profile given the 20 year term, covenant strength and 5.6% net initial yield;
- Increased exposure to higher growth sectors, in particular increasing the industrial allocation from 25% to 30%. Other key allocations include 35% to offices in key cities such as Stuttgart and Hamburg; c.20% to a Berlin DIY asset and a convenience retail centre in Frankfurt;
- Continuation of 100% rent collection, highlighting underlying tenant strength;

- Successful implementation of rental indexation clauses with no discounts. European rent reviews provide for an inflation hedge, given annual indexation and are considered a key differential to UK leases that are typically adjusted every five years to market;
- Maintained a high occupancy level of 96%, with an average portfolio lease term to break of 4.8 years;
- Concluded eight new leases and re-gears generating €0.4 million of contracted rent, at a weighted lease term of three years;
- Improved the portfolio's sustainability credentials and understanding, which included a BREEAM certification for the Stuttgart office, advancement of on-site renewable energy at the Houten industrial investment, c.80% of landlord-procured electricity on renewable energy and improved tenant data collection and education;
- Issued SREIM's updated 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;
- Re-financed German office debt secured against Hamburg and Stuttgart at a modest 85bp margin with no covenants for 5 years. Given competitive terms, loan principal was extended from €14m to €18m to provide additional balance sheet flexibility;
- A prudent LTV of 32% gross of cash and 23% net of cash, comfortably below the target of 35% net of cash;
- 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.

Market overview

Economic outlook

The outlook for the eurozone economy is improving. The sharp drop in wholesale gas prices has helped to slow inflation and reduce the squeeze on household incomes and consumption. In addition, global supply chain pressure has largely eased. As a result, Schroders now forecasts that the eurozone will narrowly avoid a recession and grow by 0.5%-1.0% p.a. through 2023 and 2024. However, while headline inflation should moderate from 6.9% in March 2023 to around 3% by December 2023, core inflation has been increasing.

Interest rates and real estate yields

The European Central Bank (ECB) remains determined to fight inflation and has continued to hike its policy interest rates. But though inflation has started to decline, Schroders expects at least one more rate hike of 25 bps. Hikes beyond that remain however a possibility but depend on the trend in inflation and labour markets. Either way we believe that the interest rate peak is near.

The investment market is showing signs of stabilisation after a sharp fall in liquidity and prices in the second half of 2022. Although prime yields continued to rise in the first quarter of 2023, the rate of increase on a European aggregate level slowed to 0.1%, from 0.6%-1.0% in the second half of 2022.

Much of future pricing will depend on conditions in debt markets. German five-year swap rates continue to be volatile and have settled at c.3.0% in the first quarter. Bank margins on prime offices and logistics levelled off at 1.50%-1.75% and remain preferred lending credit. Banks continue to be more discerning on LTVs, asset and counterparty quality which has not been helped by the recent fallout from Credit Suisse's collapse. Despite investors having become slightly more optimistic about future rental and income growth, the outlook is muted by cost and availability of debt. Overall, it seems, that while significant corrections have now occurred, markets will see some further adjustment before levelling off.

Offices

Demand for European offices has been somewhat muted in Q1 and prime rental growth has been more limited. Business bankruptcies have seen a small increase towards the end of last year and high borrowing costs and the prospect of very low growth ahead are impacting business decision-making. Overall conditions remain robust though the market remains very polarised: vacancy rates have seen some moderate increases in recent months, but remain very low for high quality stock with strong ESG-credentials in highly accessible locations as occupiers continue to seek these kind of offices to retain and attract staff in tight labour markets and meet their own ESG obligations. This continues to support prime rents and while rental growth is likely to remain somewhat subdued and more selective in the low-growth environment ahead, renewed growth is expected towards the end of the year and into 2024, particularly as supply of new space is forecast to peak this year. For secondary space the situation is however becoming increasingly dire, though space in accessible locations and leased off affordable rents is showing some resilience.

Retail

The outlook for retail real estate remains challenging. Although total retail sales should recover from 2024 onwards in step with real household incomes, the growth of online retail means that in-store sales are set to decline by 1%-2% p.a. in volume terms through 2023-2027. Consequently, it is expected that retailer demand will remain weak and that vacancy will only start to decline when failing schemes are re-developed into apartments and other uses. Prime shop and shopping centre rents are likely to fall by a further 3-5% this year, before stabilising in 2024. The exceptions are likely to be smaller food stores and a handful of luxury streets in Barcelona, Milan and Paris, which stand to gain from the revival in tourism. Big box retail parks should also be relatively defensive, as low rents and service charges attract discounters.

Logistics/industrial

Industrial rents in the eurozone are forecast to rise by 3-4% p.a. through 2023-2025, driven by growing demand for warehouses. Demand should be supported by both a cyclical recovery in consumer spending and manufacturing and by the structural growth in online retail as well as by firms holding more stock in order to improve the resilience of their supply chains. On the supply side, the jump in both building costs and interest rates should restrict speculative development and prevent an over-supply. Multi-let estates in urban areas and warehouses on major transport routes will likely see stronger rental growth than units in less accessible locations. At the same time, there is a strong demand for modern space that is not only fit for higher levels of automation, but also has strong ESG-credentials.

Investment Manager's Report

Continued

Real estate portfolio

The Company owns a portfolio of 15 institutional grade properties valued at €220.2 million¹. The portfolio is 96% let and located across Winning Cities and Regions in France, Germany and the Netherlands. In addition, the Company has a 50% interest in a joint venture in Seville, Spain which continues to be recognised at nil interest and which is therefore excluded in all relevant statistics in the Chairman's Statement and the Investment Manager's Report.

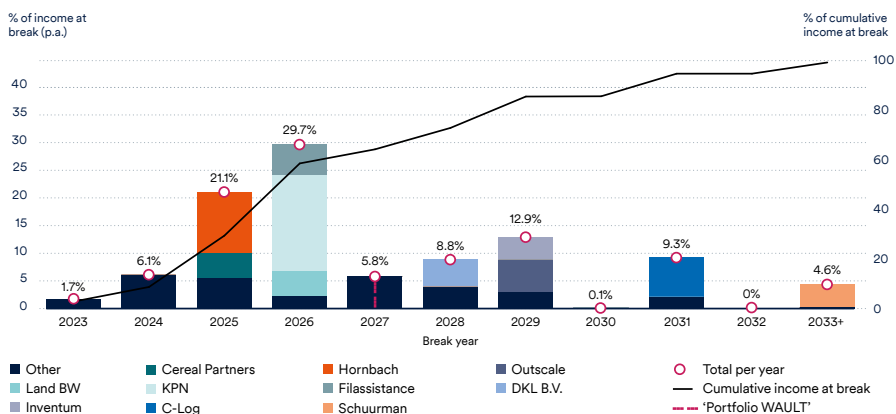
The table below shows the top ten properties:

Rank	Property	Country	Sector	€m ¹	% of total ¹
1	Paris (Saint-Cloud)	France	Office	39.1	16%
2	Berlin	Germany	Retail/DIY	30.1	12%
3	Hamburg	Germany	Office	23.5	10%
4	Stuttgart	Germany	Office	20.6	8%
5	Rennes	France	Industrial	19.7	8%
6	Apeldoorn	Netherlands	Mixed	16.0	7%
7	Alkmaar	Netherlands	Industrial	11.5	5%
8	Venray	Netherlands	Industrial	11.2	5%
9	Frankfurt	Germany	Retail/Grocery	11.0	5%
10	Rumilly	France	Industrial	10.0	4%
Total top ten properties				192.7	80%
11–15	Remaining five properties			27.5	11%
Real estate portfolio value				220.2	91%
Available cash ²				23.0	9%
Total portfolio value				243.2	100%

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

2 Internally calculated.

The graph below shows the lease expiry chart, also featuring the portfolio's top ten tenants individually:



The top ten tenants have paid 100% of their rent over the six-month period. The portfolio generates €16.5 million p.a. in contracted income. The average unexpired lease term is 4.8 years to first break and 5.2 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 €40 million of investment capacity (including debt) to redeploy into new investments or value-enhancing initiatives. The strategy is to maintain a strong balance sheet, refinancing on the best available terms and enhance the sustainability of the income. We continue to selectively review investment opportunities to further enhance the portfolio's diversification and exposure to growth sectors, cities and regions. Given the risks facing markets, including ESG and structural headwinds, particularly to offices and retail, we are continuing to be prudent and patient in our investment approach.

During the period, the Company completed an industrial acquisition in Alkmaar, the Netherlands. The architectural award winning, freehold industrial warehouse was acquired for approximately €11.2 million, equating to €1,250 per sqm and a net initial yield of 5.6%. The weighted unexpired lease term was approximately 20 years to term and 15 years to break. The investment was a rare opportunity to acquire a highly sustainable asset with a strong and visible income profile that enhances the Company's sector weighting, average unexpired lease term and credit strength. We continue to manage the Seville investment, seeking to stabilise occupancy with a view to a disposal.

Portfolio performance

During the period, total property returns for the underlying property portfolio were negative at -2.3%, despite healthy property income returns of +3.2%. This was due to negative property capital returns of -5.3% net of capex as real estate values decreased over the six months, primarily driven by a c.50 basis points outward yield movement, which more than offset the positive impact of rental growth increasing the portfolio net initial yield to 6.2%.

Property returns over the last 12 months are -0.4% and 7.4% p.a. over the last three years.

Finance

The Company completed the early refinancing of its largest debt expiry in 2023, a loan secured against its Hamburg and Stuttgart office investments. The Company has elected to extend the previous €14 million facility by a further €4 million, obtaining competitive financing for the new €18 million loan with VR Bank Westerwald at a total interest cost of 3.8% being the five-year euro swap rate at the time of signing (2.95%) plus a 0.85% margin.

With this new facility, the Company's third party debt totals €84.7 million across seven loan facilities as at 31 March 2023. This represents a loan to value ('LTV') net of cash of 23% against the Company's gross asset value (gross of cash LTV is 32%). There is a net of cash LTV cap of 35% that restricts concluding new external loans if the Company's net LTV is above 35%. An increase in leverage above 35% as a result of valuation decline is excluded from this cap. The current blended all-in interest rate is 2.5% and the average remaining loan term is 2.3 years.

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

The Company is in discussions with lenders regarding its other two debt expiries which occur within the next twelve months and is confident in its ability to refinance these loans at similar LTVs, albeit current swap rates would result in the overall cost of debt increasing.

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%	28%	20%
VR Bank Westerwald	Stuttgart/Hamburg	30/12/2027	€18.00m	3.80%	no covenant	no covenant
Deutsche Pfandbriefbank AG	Berlin/Frankfurt	30/06/2026	€16.50m	1.31%	35%	44%
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%	36%	52%
Landesbank SAAR	Rennes	28/03/2024	€8.60m	3M Eur +1.40%	32%	55%
Landesbank SAAR	Rumilly	30/04/2023	€3.70m ⁴	3M Eur +1.30%	not relevant ⁵	not relevant ⁵
Total			€84.73m			

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.

4 Rumilly loan with Landesbank SAAR was repaid in full post period end.

5 Sufficient headroom to current covenant. Covenant no longer relevant as loan was repaid in Q2 2023.

At Seville, 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 combined fair value of the derivative contracts is €1.0 million as at 31 March 2023. The strike rates on the interest rate caps are between 0.25% p.a. and 1.25% p.a.

Details of individual interest derivative contracts were as follows:

- Saint-Cloud loan with BRED Banque Populaire: two caps totalling the full €17.0m of the loan which expire on 15 December 2024 with a strike rate of 1.25%;
- Dutch industrials loan with HSBC: a cap totalling the full €9.25m of the loan which expires on 28 September 2023 with a strike rate of 1%;
- Rennes loan with Landesbank SAAR: a cap totalling the full €8.60m of the loan which expires on 27 March 2024 with a strike rate of 1%; and
- Rumilly loan with Landesbank SAAR: a cap totalling the full €3.70m of the loan which expired on 28 April 2023 with a strike rate of 0.25%. The associated Rumilly loan was fully repaid in April 2023.

Outlook

We continue to operate in an environment where the pricing of risk, value and liquidity is challenging. All sectors are seeing re-pricing, driven largely by higher discount rates, primarily as a result of the change in the availability and cost of debt. In addition, office occupiers are still adjusting to hybrid working following the pandemic, although we are seeing good demand for better quality offices which are well specified in terms of energy efficiency, break-out areas and connectivity and are in city centres with good amenities and public transport. We anticipate that values will continue to decline in the short term until investors are confident that inflation has peaked and interest rates have settled at a new, higher equilibrium. Assets in fringe markets and for secondary assets are likely to take the biggest hit. However, the repricing which has already occurred is creating some attractive investment opportunities and we anticipate a broader buying opportunity as the year progresses.

The immediate focus is on maintaining a strong and healthy balance sheet, de-risking upcoming re-financings and actively managing the investments with an increasing operational mindset that makes the assets more relevant in this changing environment.

Jeff O'Dwyer

Fund Manager

Schroder Real Estate Investment Management Limited


27 June 2023



Strategy
in Action

DISCIPLINED ASSET MANAGEMENT

BUSINESS PLAN-LED APPROACH

A photograph of a large, modern industrial warehouse with a corrugated metal facade. A blue truck is parked in the foreground on a paved area. The sky is overcast.

Identifying and
implementing active
management strategies
to maximise returns

Venray, Netherlands

Alkmaar, Netherlands



1 Acquisition strategy

- Utilised local expertise to source and acquire an off-market sale and leaseback industrial opportunity for c.€11.2 million, reflecting a net initial yield of 5.6%
- The asset is situated in Alkmaar, an established light industrial and distribution location with excellent arterial connectivity including motorway access to Amsterdam and the broader Randstad region; one of the Netherlands' fastest growing regions from a population and manufacturing perspective
- The 9,115 sqm freehold property benefits from excellent sustainability credentials with on-site renewable energy and an EPC rating of A+
- The asset serves as the headquarters and key distribution hub for the tenant W.A. Schuurman Beheer, an engineering and renewable energy specialist that has been in operation for over 100 years
- Secured a rare triple net long-term lease commitment (WAULB and WAULT of 15 and 20 years respectively) subject to annual indexation

Lease term of

20 years

EPC rating of

A+

Cannes, France

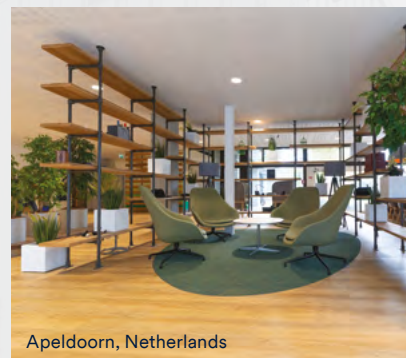


2 Asset management strategy

- Asset management strategy at acquisition centres upon improving the sustainability profile of the building in line with the 2030 Décret Tertiaire requirements and in conjunction with tenant re-gearing aspirations
- ESG capital expenditure initiatives will include roof insulation, double glazing and upgrading the BMS and HVAC systems to high quality specifications
- The asset serves as a car dealership within an agglomeration of car showrooms spanning over 20 dealerships (neighbours include Lamborghini, Ferrari, Mercedes and Toyota) and located in one of France's fastest growing regions from a GDP and population perspective
- The asset has excellent accessibility and visibility, with 200 metres of frontage to Avenue du Campon, the main arterial road linking the A8 motorway to Cannes
- The site benefits from a scarcity of land and longer term scope for alternate use including medium density residential
- The 4,235 sqm showroom is fully let to FCA Motor Village France, a subsidiary of the global automotive manufacturer Stellantis Corporation. Brands traded from the asset include Fiat, Alfa Romeo, Jeep, Abarth and Lancia

Best site in an agglomeration of 22 car showrooms

Environmental, Social and Governance in focus



Apeldoorn, Netherlands

3 ESG initiatives

Global Real Estate Sustainability Benchmark (GRESB)

GRESB rating currently 4 green stars with aspirations to improve to 5 green stars as sustainability measures are implemented across the portfolio

Building Research Establishment Environmental Assessment Method (BREEAM)
Achieved BREEAM In-Use certification for Stuttgart, bringing the total portfolio coverage to six assets

Environmental

- Green lease clauses included in all new leases in order to capture tenant energy consumption data across the portfolio
- Advanced the c.€1.5 million landlord investment at Houten including the installation of the upgraded HVAC system, LED lighting and solar panels in line with the terms of the lease re-gear in 2022
- Ongoing sustainability improvement measures including energy audits undertaken across the French sub-portfolio in preparation for the 2030 Décret Tertiaire, installation of electric charging stations at Apeldoorn and lighting assessments under way

Social

- Ongoing engagement with tenants via regular on-site meetings, tenant satisfaction surveys and communicating sustainability initiatives across the portfolio including ESG newsletters in Germany, placing signage of building certifications for building users and raising awareness on topical issues including the 2023 Earth Hour
- Continuation of community engagement initiatives including prioritising local companies where possible for construction and operational work

Governance

- Strong focus on sustainability throughout the investment process including acquisitions, annual fund strategy and asset business plans



Interim Management Statement

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 (including tax); 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 30 to 32 of the Company's published Annual Report and Consolidated Financial Statements for the year ended 30 September 2022.

The Board continues to be mindful of the Ukraine war and the economic ramifications (particularly inflation and corresponding interest rate increases), the structural changes concerning the Covid-19 pandemic, sustainability and occupier preferences which could affect the use and prospects of some real estate sectors. 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. The Board keeps these matters under review, particularly in connection with its decisions to re-deploy investable cash.

The Company's portfolio remains resilient, as evidenced by rent collection levels over the half year. Covenant, interest rates, cost of debt and expiry profiles continue to be actively managed as part of cash flow forecasting and liquidity management. 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.

Other than as outlined above, the principal risks and uncertainties have not materially changed during the six months ended 31 March 2023.

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 2023. 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

27 June 2023

Independent review report to Schroder European Real Estate Investment Trust plc

Conclusion

We have been engaged by Schroder European Real Estate Investment Trust plc (the “Company”) and its subsidiaries (together the “Group”) to review the Half Year Report and Condensed Consolidated Interim Financial Statements for the six months ended 31 March 2023 (‘Interim financial statements’) which comprises the Condensed Consolidated Interim Statement of Comprehensive Income, Condensed Consolidated Interim Statement of Financial Position, Condensed Consolidated Interim Statement of Changes in Equity, Condensed Consolidated Interim Statement of Cash Flows, and the related Notes to the Financial Statements 1 – 16. We have read the other information contained in the Half Year Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the Interim financial statements in the Half Year Report.

Based on our review, nothing has come to our attention that causes us to believe that the Interim financial statements for the six months ended 31 March 2023 are not prepared, in all material respects, in accordance with UK-adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK) “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (ISRE) issued by the Financial Reporting Council. 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.

As disclosed in note 1, the Interim financial statements included in this Half Year Report have been prepared in accordance with UK-adopted International Accounting Standard 34, “Interim Financial Reporting”.

Conclusions Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE, however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the Half Year Report and Interim financial statements in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

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

Auditor’s Responsibilities for the review of the financial information

In reviewing the Half Year Report and Interim financial statements, we are responsible for expressing to the Company a conclusion on the Interim financial statements in the Half Year Report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK) “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Financial Reporting Council. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Ernst & Young LLP

London

27 June 2023

Condensed Consolidated Interim Statement of Comprehensive Income

For the period ended 31 March 2023

	Notes	Six months to 31 March 2023 €000 (unaudited)	Six months to 31 March 2022 €000 (unaudited)	Year to 30 September 2022 €000 (audited)
Rental and service charge income	2	9,490	9,174	18,153
Property operating expenses		(2,613)	(3,396)	(5,516)
Net rental and related income		6,877	5,778	12,637
Net (loss)/gain from fair value adjustment on investment property	3	(12,958)	7,853	6,351
Development revenue	4	63	9,744	17,942
Development expense	4	(63)	(7,905)	(15,436)
Realised gain/(loss) on foreign exchange		(16)	(3)	77
Net change in fair value of financial instruments at fair value through profit or loss	9	107	235	921
Provision of loan made to Seville joint venture	5	–	(221)	(444)
Expenses				
Investment management fee	13	(1,028)	(1,137)	(2,198)
Valuers' and other professional fees		(378)	(515)	(981)
Administrator's and accounting fees		(211)	(210)	(453)
Auditors' remuneration		(201)	(189)	(333)
Directors' fees	13	(123)	(108)	(217)
Other expenses		(226)	(251)	(613)
Total expenses		(2,167)	(2,410)	(4,795)
Operating profit		(8,157)	13,071	17,253
Finance income		37	224	451
Finance costs		(809)	(562)	(1,128)
Net finance costs		(772)	(338)	(677)
Share of loss of joint venture	6	–	–	–
(Loss)/profit before taxation		(8,929)	12,733	16,576
Taxation	7	266	(1,842)	(2,585)
Profit/(loss) for the period/year		(8,663)	10,891	13,991
Other comprehensive income/(expense):				
Other comprehensive (loss)/income items that may be reclassified to profit or loss:				
Currency translation differences		–	2	(73)
Total other comprehensive (expense)/income		–	2	(73)
Total comprehensive (expense)/income for the period/year		(8,663)	10,893	13,918
Basic and diluted (loss)/earnings per share attributable to owners of the parent	8	(6.5c)	8.1c	10.4c

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 2023

	Notes	Six months to 31 March 2023 €000 (unaudited)	Six months to 31 March 2022 €000 (unaudited)	Year to 30 September 2022 €000 (audited)
Assets				
Non-current assets				
Investment property	3	219,011	209,591	217,456
Investment in joint venture	6	–	–	–
Non-current assets		219,011	209,591	217,456
Current assets				
Trade and other receivables		7,822	18,037	16,680
Interest rate derivative contracts	9	1,041	248	934
Cash and cash equivalents		32,985	52,458	34,324
Current assets		41,848	70,743	51,938
Total assets		260,859	280,334	269,394
Equity				
Share capital	10	17,966	17,966	17,966
Share premium	10	43,005	43,005	43,005
Retained earnings		(475)	21,468	10,662
Other reserves		116,610	116,685	116,610
Total equity		177,106	199,124	188,243
Liabilities				
Non-current liabilities				
Interest-bearing loans and borrowings	9	51,283	68,657	41,794
Deferred tax liability	7	4,691	4,915	5,124
Non-current liabilities		55,974	73,572	46,918
Current liabilities				
Interest-bearing loans and borrowings		21,550	–	26,950
Trade and other payables		5,462	6,809	5,857
Current tax liabilities	7	767	829	1,426
Current liabilities		27,779	7,638	34,233
Total liabilities		83,753	81,210	81,151
Total equity and liabilities	11	260,859	280,334	269,394
Net asset value per ordinary share		132.4c	148.8c	140.8c

The condensed consolidated interim financial statements on pages 18-29 were approved at a meeting of the Board of Directors held on 27 June 2023 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 2023

	Notes	Share capital €000	Share premium €000	Retained earnings €000	Other reserves €000	Total equity €000
Balance as at 1 October 2022		17,966	43,005	10,662	116,610	188,243
(Loss)/profit for the period		–	–	(8,663)	–	(8,663)
Other comprehensive (expense)/income for the period		–	–	–	–	–
Dividends paid	12	–	–	(2,474)	–	(2,474)
Balance as at 31 March 2023 (unaudited)		17,966	43,005	(475)	116,610	177,106

	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 year		–	–	13,991	–	13,991
Other comprehensive income for the year		–	–	–	(73)	(73)
Dividends paid	12	–	–	(25,207)	–	(25,207)
Balance as at 30 September 2022 (audited)		17,966	43,005	10,662	116,610	188,243

	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

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 2023

	Notes	Six months to 31 March 2023 €000 (unaudited)	Six months to 31 March 2022 €000 (unaudited)	Year to 30 September 2022 €000 (audited)
Operating activities				
(Loss)/Profit before tax for the period/year		(8,929)	12,733	16,576
Adjustments for:				
Net gain from fair value adjustment on investment property	3	12,958	(7,853)	(6,351)
Share of loss of joint venture	6	–	–	–
Realised foreign exchange loss		16	3	(77)
Finance income		(37)	(224)	(451)
Finance costs		809	562	1,128
Net change in fair value of financial instruments at fair value through profit or loss	9	(107)	(235)	(921)
Provision of loan made to Seville joint venture	5	–	221	444
Operating cash generated before changes in working capital		4,710	5,207	10,348
Increase/(decrease) in trade and other receivables		8,774	(236)	958
(Decrease)/Increase in trade and other payables		(574)	1,353	324
Cash generated from/(used in) operations		12,910	6,324	11,630
Finance costs paid		(734)	(492)	(897)
Finance income received		36	3	8
Tax paid	7	(826)	(532)	(469)
Net cash generated from/(used in) operating activities		11,386	5,303	10,272
Investing activities				
Proceeds from sale of investment property		–	16,900	16,900
Acquisitions of investment property	3	(12,310)	(1,741)	(10,824)
Additions to investment property	3	(1,926)	(579)	(698)
Investment in joint venture	6	–	–	–
Net cash generated(used in)/from investing activities		(14,236)	14,580	5,378
Financing activities				
Proceeds from borrowings		18,000	–	–
Repayment of loan facility		(14,000)	(1,840)	(1,840)
Dividends paid	12	(2,474)	(11,301)	(25,207)
Net cash provided by/(used in) financing activities		1,526	(13,141)	(27,047)
Net (decrease)/increase in cash and cash equivalents for the period/year		(1,324)	6,742	(11,397)
Opening cash and cash equivalents		34,324	45,717	45,717
Effects of exchange rate change on cash		(15)	(1)	4
Closing cash and cash equivalents		32,985	52,458	34,324

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 2023 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 2022 were approved by the Board of Directors on 5 December 2022 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 2022. 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 2022. The consolidated financial statements for the year ended 30 September 2022 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; the refurbishment of Paris, BB 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. Excluding the Seville loan, for which the Group's equity in the associated joint venture has been written down to a nil value, three loans totalling €21.55 million fall due between the 31 March 2023 period end and twelve months post the signing of the half year report. The Group has since repaid the Rumilly loan for €3.70m in April 2023; good progress is being made with the refinancing of the €9.25m Dutch industrials loan which matures in September 2023; and there are no immediate concerns with regard to the Group's future ability to refinance the €8.60m Rennes loan which matures in March 2024. Furthermore, the Group has sufficient cash or liquid assets to repay these loans in a 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 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. The use of estimates and judgements is consistent with the Group's consolidated financial statements for the year ended 30 September 2022. 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 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, BB: 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 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 requires an impairment review to be made for certain financial assets held on the Group balance sheet using a forward-looking expected credit loss model. All receivables 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; the outstanding debt principal, together with the ongoing LTV breach and cash trap position of the loan; cash flow forecasts; tenants' trading positions and the existing ability to let vacant space, and the market liquidity for such an asset. 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 assessed the loan to the Seville joint venture for any expected credit loss under IFRS 9 and, consequently, a full impairment has been previously recognised and continues to be maintained.

Cash balances are maintained with major international financial institutions with strong credit ratings and the creditworthiness of the Group's tenants is monitored on an ongoing basis.

Market risk

The market values for properties are generally affected by overall conditions in local economies, such as changes in gross domestic product, employment trends, inflation and changes in interest rates. The Directors monitor the market value of investment properties by having independent valuations carried out quarterly by a firm of independent chartered surveyors. 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.

At the date of signing this report, the conflict in Ukraine continues to have an ongoing societal and economic impact. The Group does not have any direct exposure to Russia nor Ukraine, but continues to monitor the situation closely.

The Group's rental collection, excluding its JV in Seville and the investment of which has previously been written down to nil, has continued to remain very robust with a one hundred per cent rent collection in the period.

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. The Group continues to review potential initiatives where sustainability credentials can be enhanced, ratings improved, value can be created and the liquidity of investments be improved.

2. Rental and service charge income

	Six months to 31 March 2023 €000 (unaudited)	Six months to 31 March 2022 €000 (unaudited)	Year to 30 September 2022 €000 (audited)
Rental income	7,454	6,968	14,528
Service charge income	2,036	2,206	3,625
Total	9,490	9,174	18,153

Notes to the Financial Statements

Continued

3. Investment property

	Freehold €000
Fair value at 30 September 2021 (audited)	199,727
Acquisitions and acquisition costs	10,865
Additions	513
Net valuation gain on investment property	6,351
Fair value as at 30 September 2022 (audited)	217,456
Acquisitions and acquisition costs	12,310
Additions	2,203
Net valuation loss on investment property	(12,958)
Fair value as at 31 March 2023 (unaudited)	219,011

The fair value of investment properties, as determined by the valuer, totals €220,160,000 (30 September 2022: €218,700,000) with the valuation amount relating to a 100% ownership share for all the assets in the portfolio.

None of this amount is attributable to trade or other receivables in connection with lease incentives. The fair value of investment properties per the condensed consolidated interim financial statements of €219,011,000 includes a tenant incentive adjustment of €1,149,000 (30 September 2022: €1,244,000).

On 16 March 2023, the Group acquired, via a sale and leaseback, a freehold industrial warehouse in Alkmaar, the Netherlands, for a purchase price of €11.2 million.

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 2023 (unaudited)

		Industrial	Retail (including retail warehouse)	Office	Total
Fair value (€000) ¹		79.86	66.25	99.15	245.26
Area ('000 sqm)		95.030	44.435	54.58	194.045
Net passing rent € per sqm per annum	Range	33.16 – 124.0	30.84 – 152.12	113.63 – 152.63	30.84 – 152.63
	Weighted average ²	61.90	86.18	140.41	100.20
Gross ERV € per sqm per annum	Range	42.00 – 104.42	101.58 – 162.27	79.93 – 236.83	42.0 – 236.83
	Weighted average ²	61.22	128.80	178.45	126.87
Net initial yield ³	Range	5.42 – 9.54	2.54 – 5.69	3.77 – 15.78	2.54 – 15.78
	Weighted average ²	6.08	4.40	6.46	5.78
Equivalent yield	Range	5.10 – 7.25	5.10 – 7.68	3.72 – 12.82	3.72 – 12.82
	Weighted average ²	5.71	6.14	6.89	6.30

- Notes:
- This table includes the joint venture investment property valued at €25.1 million which is disclosed within the summarised information within note 6 as part of total assets.
 - Weighted by market value.
 - 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 2022 (audited)

		Industrial	Retail (including retail warehouse)	Office	Total
Fair value (€000) ¹		71,950	69,150	104,000	235,100
Area ('000 sqm)		86.421	44.433	54.58	185.434
Net passing rent € per sqm per annum	Range	28.81 – 118.10	38.33 – 151.18	103.57 – 145.83	28.81 – 151.18
	Weighted average ²	55.83	85.66	136.17	98.34
Gross ERV € per sqm per annum	Range	40.00 – 104.42	101.58 – 162.27	79.93 – 224.34	40.00 – 224.34
	Weighted average ²	56.46	129.96	169.81	125.29
Net initial yield ³	Range	4.82 – 8.66	2.87 – 5.38	3.34 – 14.42	2.87 – 14.42
	Weighted average ²	5.57	4.24	5.93	5.35
Equivalent yield	Range	4.5 – 6.68	4.95 – 7.29	3.27 – 12.40	3.27 – 12.40
	Weighted average ²	5.19	5.87	6.26	5.84

Notes:

- This table includes the joint venture investment property valued at €26.4 million which is disclosed within the summarised information within note 6 as part of total assets.
- Weighted by market value.
- 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:

	Industrial €000	Retail €000	Office €000	Total €000
Estimated movement in fair value of investment properties at 31 March 2023 (unaudited) ¹				
Increase in ERV by 10%	4,900	5,100	7,800	17,800
Decrease in ERV by 10%	(4,900)	(5,100)	(7,900)	(17,900)
Increase in net initial yield by 0.5%	(6,500)	(5,500)	(8,400)	(20,400)
Decrease in net initial yield by 0.5%	7,800	6,500	10,600	24,900

	Industrial €000	Retail €000	Office €000	Total €000
Estimated movement in fair value of investment properties at 30 September 2022 (audited) ¹				
Increase in ERV by 10%	4,900	5,700	9,200	19,800
Decrease in ERV by 10%	(4,900)	(6,100)	(9,400)	(20,400)
Increase in net initial yield by 0.5%	(6,600)	(6,000)	(10,000)	(22,600)
Decrease in net initial yield by 0.5%	8,000	7,300	13,200	28,500

Notes:

- This table includes the joint venture investment property valued at €25.1 million (2022: €26.4 million) which is disclosed within the summarised information within note 6 as part of total assets.

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, BB 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.

Notes to the Financial Statements

Continued

4. Recognition of development revenue and profit continued

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

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

The Group has estimated that it will receive a total development revenue of €30.5 million (2022: €30.2 million).

During the period €0.1 million of development cost has been incurred (30 September 2022: €15.4 million) which, to date, represents 91% of the total project expenditure and a sum of €0.1 million (30 September 2022: €17.9 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 €94.0 million.

The remaining development revenue is expected to be recognised by 30 September 2023.

The total amount of the contract asset recognised by the Group that is due from the purchaser thereby totalled €1.0 million (30 September 2022: €10.3 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 2023 the Group owned 50% of the Metromar JV, which owns a shopping centre in Seville, and had advanced €10.0 million as a loan and was owed interest of €1.5 million (30 September 2022: €1.5 million); (31 March 2022: €1.3 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; the outstanding debt principal, together with the ongoing LTV breach and cash trap position of the loan; cash flow forecasts; tenants' trading positions and the existing ability to let vacant space, and the market liquidity for such an asset. 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.

A default rate of 100% has been applied to the above loan and unpaid interest at year end. The impairment provision booked during the period was change to €Nil as the loan and interest is now considered a stage 3 impairment (30 September 2022: €0.4 million) bringing the cumulative impairment to €11.5 million (30 September 2022: €11.5 million, 31 March 2022: €11.3 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 2023		
	€000		
Balance as at 1 October 2022 (audited)			–
Share of loss for the period			–
Balance as at 31 March 2023 (unaudited)			–
			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 2022
			€000
Balance as at 1 October 2021 (audited)			–
Investment in joint venture			–
Share of loss for the year			–
Balance as at 30 September 2022 (audited)			–
			31 March 2023
			€000
			31 March 2022
			€000
			30 September 2022
			€000
Summarised joint venture financial information:	(unaudited)	(unaudited)	(audited)
Total assets	28,046	30,508	29,290
Total liabilities	(48,998)	(48,047)	(48,435)
Net liabilities	(20,952)	(17,539)	(19,145)
Net asset value attributable to the Group	–	–	–

	Six months to 31 March 2023 €000 (unaudited)	Six months to 31 March 2022 €000 (unaudited)	Year to 30 September 2022 €000 (audited)
Revenues	1,069	1,734	4,003
Total comprehensive loss	(1,807)	(2,929)	(4,536)
Total comprehensive loss attributable to the Group	-	-	-

As at 31 March 2023, the joint venture in Seville, of which SEREIT holds a 50% share, had total net liabilities of €20,952,000. 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 2023 €000 (unaudited)	Six months to 31 March 2022 €000 (unaudited)	Year to 30 September 2022 €000 (audited)
Current tax charge	167	771	1,305
Deferred tax charge	(433)	1,071	1,280
Tax (credit)/expense in period/year	(266)	1,842	2,585

	Current tax liability €000	Deferred tax liability €000
As at 1 October 2022 (audited)	1,426	5,124
Tax charge/(credit) for the period	167	(433)
Tax paid during the period	(826)	-
Balance as at 31 March 2023 (unaudited)	767	4,691

	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 2021 (audited)	590	3,844
Tax charge for the period	1,305	1,280
Tax paid during the period	(469)	-
Balance as at 30 September 2022 (audited)	1,426	5,124

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.

Notes to the Financial Statements

Continued

7. Taxation continued

The Group operates in a number of jurisdictions and is subject to periodic challenges by local tax authorities on a range of tax matters during the normal course of business. The tax impact can be uncertain until a conclusion is reached with the relevant tax authority or through a legal process. The Group addresses this uncertainty by closely monitoring tax developments, seeking independent advice and maintaining transparency with the authorities it deals with as and when any enquiries are made. As a result of its monitoring, the Group has identified a potential tax exposure attributable to the ongoing applicability of tax treatments adopted in respect of the Group's tax structures. The range of potential outcomes is a possible outflow of minimum £nil and maximum £9.4 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 €(8,662,000) (six months to 31 March 2022: €10,891,000; for the year ended 30 September 2022: €13,918,000) and the weighted average number of ordinary shares in issue during the period of 133,734,686 (six months to 31 March 2022: 133,734,686; for the year ended 30 September 2022: 133,734,686).

9. Interest-bearing loans and borrowings

	Six months to 31 March 2023 €000
As at 1 October 2022 (audited)	68,744
Repayment of loans	(14,000)
Proceeds from new loan facility	18,000
Amortisation of finance costs	89
As at 31 March 2023 (unaudited)	72,833
	Year to 30 September 2022 €000
As at 1 October 2021 (audited)	68,589
Capitalisation of finance costs	(15)
Amortisation of finance costs	170
As at 30 September 2022 (audited)	68,744
	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

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 2023.

On 31 March 2023, ahead of the maturity date of 30 June 2023, the Group fully repaid its €14.0 million loan with Deutsche Pfandbriefbank AG which was secured on the Hamburg and Stuttgart assets. In the period, the Group entered into a new €18.0 million loan with Westerwald Bank eG. The new loan was fully drawn down on 31 March 2023.

Three loans totalling €21.6 million fall due in the twelve months following the balance sheet date. The Group has plans to refinance or repay and has commenced preliminary discussions with lenders on this matter. However, the Group would also have sufficient cash or liquid assets to repay all these loans in the downside scenario of refinancing not being achieved.

As at 31 March 2023 the Group held interest rate caps as follows:

- Saint-Cloud loan with BRED Banque Populaire: two caps totalling the full €17.0m of the loan with a combined fair value of €0.6 million as at 31 March 2023 and which expire on 15 December 2024 with a strike rate of 1.25%;
- Dutch industrials loan with HSBC: a cap totalling the full €9.25m of the loan with a fair value of €0.2 million as at 31 March 2023 and which expires on 28 September 2023 with a strike rate of 1%;
- Rennes loan with Landesbank SAAR: a cap totalling the full €8.60m of the loan with a fair value of €0.2 million as at 31 March 2023 and which expires on 27 March 2024 with a strike rate of 1%; and
- Rumilly loan with Landesbank SAAR: a cap totalling the full €3.70m of the loan with a fair value of €0.07 million as at 31 March 2023 and which expired on 28 April 2023 with a strike rate of 0.25%. The associated Rumilly loan was fully repaid in April 2023.

10. Issued capital and reserves

As at 31 March 2023, the Company has 133,734,686 (30 September 2022: 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 2023 of €177,106,00 (30 September 2022: €188,243,000; 31 March 2022: €199,124,000) and 133,734,686 ordinary shares in issue at 31 March 2023 (30 September 2022: 133,734,686; 31 March 2022: 133,734,686).

12. Dividends paid

Six months ended 31 March 2023 (unaudited) ¹	Number of ordinary shares	Rate (cents)	€000
Interim dividend paid on 13 January 2023	133,734,686	1.85	2,474
Total interim dividends paid	133,734,686	1.85	2,474

¹ A dividend for the quarter ended 31 March 2023 of 1.85 Euro cents per share was approved and will be paid on 11 August 2023. Total dividends declared relating to the six months' ended 31 March 2023 were 3.70 Euro cents per share.

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 14 January 2022	133,734,686	1.85	2,474
Special dividend paid on 14 January 2022	133,734,686	4.75	6,353
Total interim dividends paid			11,301

Year ended 30 September 2022 (audited)	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 14 January 2022	133,734,686	1.85	2,474
First special dividend paid on 14 January 2022	133,734,686	4.75	6,352
Interim dividend paid on 20 April 2022	133,734,686	1.85	2,474
Interim dividend paid on 5 August 2022	133,734,686	1.85	2,474
Second special dividend paid on 5 August 2022	133,734,686	4.75	6,352
Interim dividend paid on 30 September 2022	133,734,686	1.85	2,474
Final special dividend paid on 30 September 2022	133,734,686	0.1	133
Total interim dividends paid			25,207

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 €1,028,000 (year ended 30 September 2022: €2,198,000; six months ended 31 March 2022: €1,136,995). At 31 March 2023, €656,000 was outstanding (year ended 30 September 2022: €717,000; six months ended 31 March 2022: €378,740).

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 2023 was €123,000 (year ended 30 September 2022: €198,375; six months ended 31 March 2022: €108,000), equivalent to £87,500. 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 2022 Annual Report and Consolidated Financial Statements.

14. Capital commitments

At 31 March 2023, the Group had capital commitments of €nil (30 September 2022: €1,500,000; 31 March 2022: €389,400).

The Group is expected to incur a further €1.1m of development expenditure with regards to the comprehensive refurbishment of the Paris, BB asset.

15. Contingent liabilities

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

16. Post balance sheet events

On 28 April 2023, the Group fully repaid its €3.7 million loan with Landesbank SAAR which was secured against the Rumilly, France property.

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 2023 €000 (unaudited)	Six months to 31 March 2022 €000 (unaudited)	Year to 30 September 2022 €000 (unaudited)
Total IFRS comprehensive income	(8,663)	10,893	13,918
Adjustments to calculate EPRA earnings:			
Net (gain)/loss from fair value adjustment on investment property	12,958	(7,853)	(6,351)
Currency translation differences (unrealised)	–	(2)	73
Net development (revenue)/expenditure	–	(1,839)	(2,506)
Share of joint venture loss on investment property	–	–	(561)
Deferred tax	(433)	1,071	1,280
Tax on development profit	–	460	702
Net change in fair value of financial instruments	(107)	(235)	(921)
Provision of internal loan made to Seville joint venture (excluding interest)	–	–	444
EPRA earnings	3,755	2,495	6,078
Weighted average number of ordinary shares	133,734,686	133,734,686	133,734,686
IFRS earnings and diluted earnings (cents per share)	(6.5)	8.1	10.4
EPRA earnings per share (cents per share)	2.8	1.9	4.5

b. EPRA Net Reinstatement Value

	Six months to 31 March 2023 €000 (unaudited)	Six months to 31 March 2022 €000 (unaudited)	Year to 30 September 2022 €000 (unaudited)
IFRS equity attributable to shareholders	177,106	199,124	188,243
Deferred tax and tax on development and trading properties	4,691	4,915	5,124
Adjustment in respect of joint venture deferred tax	–	–	–
Adjustment for fair value of financial instruments	(1,041)	(248)	(934)
Adjustment in respect of real estate transfer taxes	19,428	16,100	17,444
EPRA NAV	200,184	219,891	209,877
Shares in issue at end of year	133,734,686	133,734,686	133,734,686
IFRS Group NAV per share (cents per share)	132.4	148.8	140.8
EPRA NAV per share (cents per share)	149.7	164.4	156.9

c. EPRA Net Tangible Assets

	Six months to 31 March 2023 €000 (unaudited)	Six months to 31 March 2022 €000 (unaudited)	Year to 30 September 2022 €000 (unaudited)
IFRS equity attributable to shareholders	177,106	199,124	188,243
Deferred tax	4,691	4,915	5,124
Adjustment in respect of joint venture deferred tax	–	–	–
Adjustment for fair value of financial instruments	(1,041)	(248)	(934)
EPRA NAV	180,756	203,791	192,433
Shares in issue at end of year	133,734,686	133,734,686	133,734,686
IFRS Group NAV per share (cents per share)	132.4	148.8	140.8
EPRA NAV per share (cents per share)	135.2	152.4	143.9

d. EPRA Net Disposal Value

	Six months to 31 March 2023 €000 (unaudited)	Six months to 31 March 2022 €000 (unaudited)	Year to 30 September 2022 €000 (unaudited)
IFRS equity attributable to shareholders	177,106	199,124	188,243
Adjustment for the fair value of fixed interest rate debt	1,048	374	987
EPRA NAV	178,154	199,498	189,230
Shares in issue at end of year	133,734,686	133,734,686	133,734,686
IFRS Group NAV per share (cents per share)	132.4	148.8	140.8
EPRA NAV per share (cents per share)	133.2	149.2	141.5

e. EPRA comparatives

	EPRA NRV €000	EPRA NTA €000	EPRA NDV €000
IFRS NAV in the period	177,106	177,106	177,106
Exclude: deferred tax	4,691	4,691	-
Exclude: the fair value of financial instruments	(1,041)	(1,041)	-
Include: the fair value of fixed rate interest rate debt	-	-	1,048
Include: real estate transfer tax	19,428	-	-
EPRA NAV totals	200,184	180,756	178,154

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 2023 €000 (unaudited)	Six months to 31 March 2022 €000 (unaudited)	Year to 30 September 2022 €000 (unaudited)
Total IFRS comprehensive income	(8,663)	10,893	13,918
Adjustments to calculate headline earnings exclude:			
Net valuation (profit)/loss on investment property	12,958	(7,853)	(6,351)
Net development (revenue)/expenditure	-	(1,839)	(2,506)
Share of joint venture loss on investment property	-	-	(561)
Deferred tax	(433)	1,071	1,280
Tax on development profit	-	460	701
Net change in fair value of financial instruments	(107)	(235)	(921)
Provision of internal loan made to Seville joint venture (excluding interest)	-	-	444
Headline earnings	3,755	2,497	6,004
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)	2.8	1.9	4.5

Alternative Performance Measures (unaudited)

The Company uses the following Alternative Performance Measures ('APMs') in its Interim 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).

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.
Gross Asset Value ('GAV')	is used to describe the current value of all assets held within the company
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.

Corporate Information

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Elizabeth Edwards

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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

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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.

Notes

Notes

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