Schroders

Schroder European Real Estate Investment Trust plc

Half Year Report and Condensed Consolidated Interim Financial Statements

For the six month period ended 31 March 2019

Company Summary

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

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

At 31 March 2019 the Company had 133,734,686 shares in issue and had fifteen subsidiaries which, together with the Company, form the Group.

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

Key members of the team and their associated disciplines are set out on page 1.

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

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

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

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

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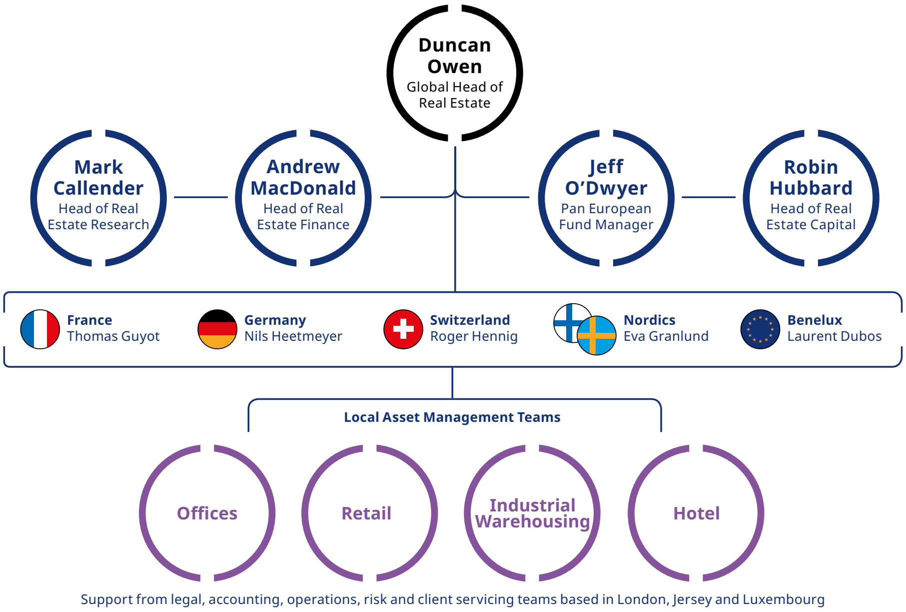

Source: Schroders, March 2019

Investment policy

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

Diversification

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

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

Asset class and geographic restrictions

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

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

Other restrictions

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

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

Borrowing policy

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

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

Highlights and Financial Summary

Paris (Boulogne-Billancourt)

Key Points[1]

Acquired two neighbouring logistics assets in France for

€17.3m

at an income yield of 5.9%

Portfolio by value located in higher-growth regions of Europe

100%

Portfolio is almost 100% occupied with a

6.5 yrs

average lease term and 5.1 years to break

Agreed conditional heads of terms (post-period end) for a new long-term lease and capex programme at the Boulogne-Billancourt office investment in Paris, providing future potential capital value and income upside.

Delivering attractive dividend yield of

5.5%

against Net asset value ('NAV')

Dividend cover

108%

for the six-month period

NAV total return of

1.7%

over the six months

Improved portfolio diversification and increased allocation to the higher growth logistics warehouse sector from 13% to

19%

Current portfolio valued at

€240m[2]

reflecting an uplift of approximately 7.8% on purchase price

Underlying property portfolio total return of

3.5%

over six months (excluding the impact from transaction costs)

Loan to Value of

28%

1 Management reviews the performance of the Group principally on a proportionally consolidated basis. As a result, figures quoted include the Group's 50% share of the Seville joint venture on a line-by-line basis.
2 Includes the Group's 50% share of the Seville property proportionally valued at €26.4 million.

Portfolio at a Glance

The Group aims to own a diversified portfolio of commercial real estate in Continental Europe with good property fundamentals. The Group targets 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.

Total number of properties

13

Valuation of

€240m[1]

Percentage of portfolio located in higher-growth cities and regions

100%

Percentage of the portfolio value comprised by top ten properties

92%

Top ten properties

1 **Paris (Boulogne-Billancourt) (€41.6m/17%)**

2 **Paris (Saint-Cloud) (€35.6m/15%)**

3 **Berlin (€26.9m/11%)**

4 **Seville (50% share) (€26.4m/11%)**

5 **Apeldoorn (€20.0m/8%)**

6 **Rennes (€17.6m/7%)**

7 **Stuttgart (€16.4m/7%)**

8 **Hamburg (€15.3m/6%)**

9 **Frankfurt (€11.5m/5%)**

10 **Venray (€9.6m/4%)**

Retail

Office

Industrial Warehousing

Mixed

1 Includes the 50% share of the joint venture property held in Seville proportionally valued at €26.4 million.

For more information
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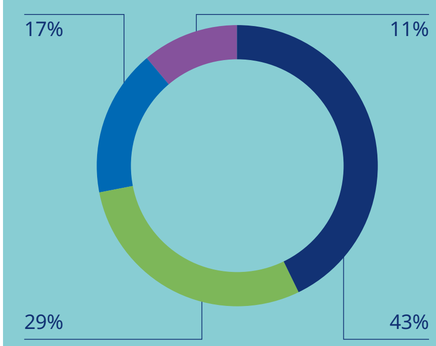
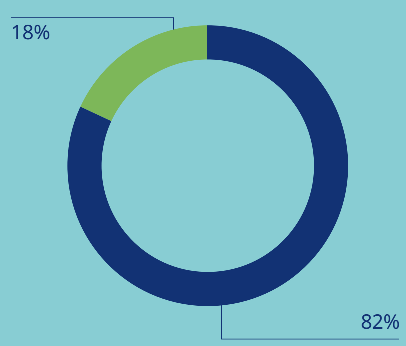
Portfolio locations

Portfolio country allocation



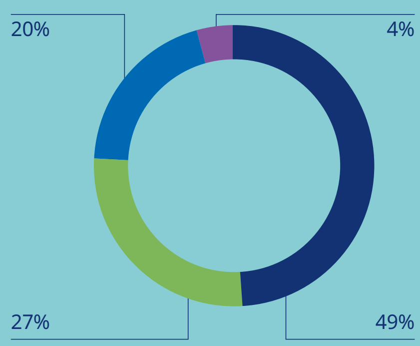
- France
- Germany
- Netherlands
- Spain

% SEREIT capital value



- Fastest growing regions
- Second quartile

% of Europe as a whole



- Fastest growing regions
- Second quartile
- Third quartile
- Slowest growing regions

For more information
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Portfolio at a Glance continued

Portfolio allocations

Office (46%)

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

Industrial Warehousing (19%)

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

Retail (27%)

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

Mixed (8%)

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


LES BUREAUX DE LA COLLINE DE SAINT CLOUD

Performance Summary

Property performance[1]	31 March 2019	31 March 2018	30 September 2018
Value of property assets	**€239.9m[2]**	€237.3m	€222.0m
Annualised rental income	**€17.2m**	€16.1m	€16.1m
Estimated open market rental value	**€17.7m**	€16.7m	€16.6m
Underlying portfolio total return	**3.5%**	7.0%	10.8%
Underlying portfolio income return	**3.8%**	4.1%	7.5%

Financial summary	31 March 2019	31 March 2018	30 September 2018
NAV (excluding non-controlling interests)	**€182.8m**	€187.1m	€182.1m
NAV per ordinary share	**136.7c**	139.9c	136.2c
EPRA NAV	**€183.7m**	€187.8m	€182.8m
NAV total return (euro)	**1.7%**	6.1%	7.5%
IFRS profit after tax	**€3.2m**	€10.8m	€13.2m
EPRA earnings	**€5.4m**	€6.5m	€10.8m
Dividend cover	**108%**	100%	109%
Equity raised (gross)	**Nil**	Nil	Nil

Capital values	31 March 2019	31 March 2018	30 September 2018
Share price[3]	**101.0 pps/ZAR 19.43**	110.0 pps/ZAR 18.00	114.5 pps/ZAR 21.26
NAV per share	**118.0 pps/ZAR 22.23**	123.0 pps/ZAR 20.43	121.3 pps/ZAR 22.36
Share price discount to NAV GBP/ZAR	**(14.2%)/(12.6%)**	(10.5%)/(11.9%)	(5.6%)/(4.9%)

Earnings and dividends	**31 March 2019**	31 March 2018	30 September 2018
Profit[4]	**2.4 cps**	8.1 cps	9.9 cps
EPRA earnings	**4.0 cps**	4.8 cps	8.1 cps
Headline earnings	**4.0 cps**	4.8 cps	8.1 cps
Dividends declared	**3.7 cps**	3.7 cps	7.4 cps
Annualised dividend yield of most recent dividend declared on the euro equivalent of the issue price as at admission	**5.5%**	5.5%	5.5%

Bank borrowings	**31 March 2019**	31 March 2018	30 September 2018
External bank debt (excluding costs)[5]	**€73.0m**	€73.4m	€64.4m
Loan to value ratio based on gross assets	**28%**	28%	26%

Ongoing charges[6]	**31 March 2019**	31 March 2018	30 September 2018
Ongoing charges (fund operating expenses only)	**2.07%**	1.82%	1.95%
Ongoing charges (fund and property operating expenses)	**2.71%**	2.39%	2.38%

1 Relates to the Group's share only and excludes the non-controlling interests in the Company's subsidiaries.
2 Includes the Group's 50% share in the Seville property proportionally valued at €26.4 million.
3 pps refers to pence per share.
4 cps refers to cents per share.
5 Includes the Group's 50% share of external debt in the Seville joint venture of €11.4 million and excludes unamortised finance costs of €1.1 million.
6 Ongoing charges are calculated in accordance with AIC recommended methodology as a percentage of average NAV over a given period.

Chairman's Statement

Active management positioning the Company for growth

Sir Julian Berney Bt.
Chairman

Overview

SEREIT had an active six month period to 31 March 2019, with a continued focus on reinvesting sale proceeds, alongside a programme of value-enhancing asset management activity. As a result, the Group is in a strengthened position, with a further diversified portfolio, increased allocation to higher growth sectors and improved potential for longer-term income and capital growth.

The acquisition of the Rennes logistics property (comprising two neighbouring warehouses) in March completed the reinvestment of the proceeds from the profitable sale of the Casino supermarkets last year. The overall reinvestment of these proceeds has been at higher income yields and has increased exposure to the higher growth logistics and industrial sector. This forms part of the strategy to have a diversified income-generating portfolio focused on the Winning Cities and regions of Continental Europe, balanced across different growth sectors.

The main asset management activity has been agreeing heads of terms (post-period end) with the tenant at the Boulogne-Billancourt office investment in Paris for a new long-term lease commitment. As part of the agreement, SEREIT will plan to undertake a significant capital expenditure programme to refurbish the building and the heads of terms are subject to a number of conditions, including planning and financing. If concluded, it has the potential to deliver both NAV return upside and improve the longer-term income and portfolio profile. Progressing this project is a key focus for the remainder of the year, alongside other asset management initiatives such as securing further lease agreements for the remaining vacant space at the Group's Hamburg office and Metromar shopping centre in Seville.

Results

The Company's NAV at 31 March 2019, excluding non-controlling interests, was €182.8 million or 136.7 euro cents per share ('cps'), representing an increase of €0.7 million (0.5 cps/0.4%) over the six month period. This movement includes property transactions costs of €1 million (0.7 cps) associated with the Rennes acquisition. Including dividends, the NAV total return over the period excluding these one-off items was 2.2% and was 1.7% including the one-off items.

The profit for the six month period ending 31 March 2019 was €3.2 million and EPRA earnings were €5.4 million.

The Board also notes that it is working with its advisers to assess the potential impact of proposed changes to various European tax laws. Further detail is provided in note 7 of the condensed consolidated interim financial statements.

Strategy

The Group has a focused investment strategy, investing in good quality real estate located in Winning Cities and regions across Continental Europe. 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. The portfolio of 13 assets is fully situated in locations with GDP growth forecasts in the top two quartiles of all European regions (Source: Oxford Economics).

The portfolio is diversified by location, sector, tenants and lease expiry. This enables the Group to tactically orientate the portfolio over time in order to benefit from structural economic and sociodemographic trends, also influenced by the varying cycles across different cities and sectors. A recent example of this is the strategic reduction in the Group's retail exposure and increase in the allocation to the higher growth logistics sector, which is now 19% of the portfolio, up from nil 12 months ago. Having this flexibility and diversification also assists in improving the defensive characteristics of the asset base and the income profile over the long run.

The assets are managed by the Investment Manager's local real estate teams, which total 180 professionals based on the ground across eight key markets in Europe. This local presence provides a competitive advantage in being able to identify sub-markets and assets benefiting from local market trends and building relationships with tenants to execute asset management initiatives. In addition, Schroders' in-house economic and real estate research platform assists the Group with identifying and capitalising on broader macro and micro trends.

The Group is now fully invested, with the strategy for the remainder of the year being focused on supporting NAV and income returns through current and planned active asset management. Delivering this strategy will underpin our ambition to grow the Group in a disciplined way that will improve long-term shareholder returns. The delivery of these asset management initiatives is also important to provide downside protection in a scenario where income and values come under pressure as a result of a deterioration in the economic or real estate market backdrop.

Balance sheet and debt

During the period the Group completed a new €8.6 million debt facility secured against the Rennes industrial acquisition. This loan takes the Group's total third party debt as at 31 March 2019 to €73.0 million[1], representing a Loan to Value ('LTV') of approximately 28% against the overall gross asset value of the Group.

The Group has a strategy of maintaining a robust balance sheet and overall leverage is capped at 35% at the time of borrowing the debt. The Group has six debt facilities in place, with an average weighted total interest rate of 1.40% per annum. All interest rates are either fixed or capped to mitigate the risk of rising interest rates.

There is various asset management activity, such as the lease regear and refurbishment at the Boulogne-Billancourt office in Paris, that will require capital investment and has the potential to provide attractive property returns. The Group has some additional debt capacity and regularly reviews other means of growing its available capital, such as raising equity or asset sales, in order to seek to optimise the overall capital structure for the Group's strategy.

Dividend

The Group has declared a second interim dividend in respect of the year ending 30 September 2019 of 1.85 euro cents per share payable on 22 July 2019 to shareholders on the register at 5 July 2019. The first and second interim dividends in respect of the year ending 30 September 2019 amount to 3.70 euro cents per share.

The dividends for the six month period are 108% covered from net income from the portfolio. This includes a positive net impact of €1.26 million from the receipt of the final payment for the Hamburg lease surrender, which contributes towards covering the void at that property whilst we complete the re-leasing. Excluding the Hamburg surrender premium receipt, the dividend cover is 78%.

The latest declared dividend represents an annualised rate of 5.5% based on the euro equivalent of the issue price at admission, again achieving the target dividend stated at IPO. Based on the Euro:GBP exchange rate as at 31 March 2019, this equates to an annualised rate of 6.5% on the GBP issue price at IPO of 100 pence per share.

Asset management activity such as the lease regear at the Boulogne-Billancourt office investment will improve the longer-term income profile of the Group, but will reduce dividend cover in the short term. In implementing the dividend strategy, the Board will consider the shorter-term cash generation of the Company, alongside the longer-term sustainable rental income from the portfolio.

Outlook

The global economic and political backdrop remains fragile. The Winning Cities we are invested in across Europe are better placed than many in respect of these risks, as they have higher levels of economic activity and are positioned to benefit from structural mega-themes such as urbanisation and infrastructure improvements. There are a number of opportunities to generate attractive returns from asset management and outperformance of certain markets, but also pockets of caution where income and value may come under pressure.

The Group has a high-quality, diverse portfolio. Execution of the asset management initiatives across the portfolio will both strengthen the defensive characteristics of the Group and improve the long-term capital and income returns for shareholders.

Sir Julian Berney Bt.
Chairman

17 June 2019

1 Includes the Group's 50% share of external debt in the joint venture of €11.4 million and excludes unamortised finance costs of €1.1 million.

Investment Manager's Review

Focus on Winning Cities

Our strategy is based on investing in continental European Winning Cities with a focus on asset management initiatives to deliver returns and support growth ambitions.

Results
The Group's NAV as at 31 March 2019 stood at €182.8 million (£157.3 million), or 136.7 euro cents (118.0 pence) per share, achieving a NAV total return of 1.7% over the six months to 31 March 2019.

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

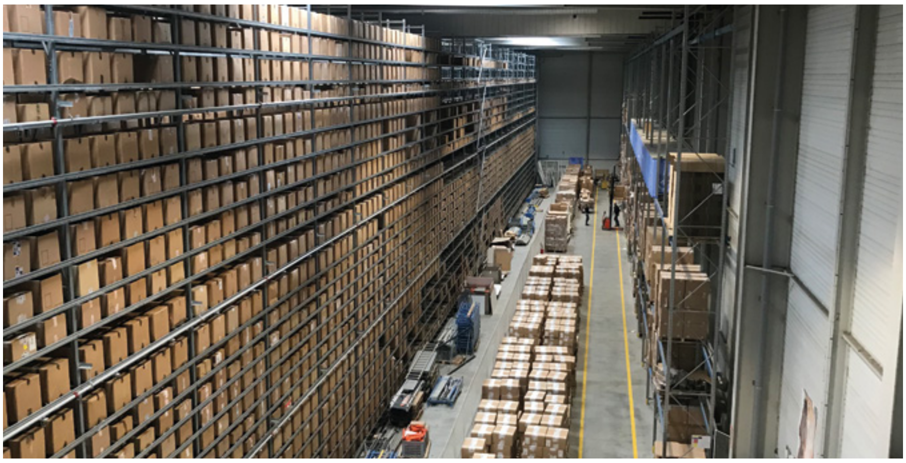
Market overview
Economic growth forecasts have been revised down over the last 3–6 months and Schroders forecasts now that Eurozone economic growth will slow from 1.8% in 2018 to 1.25–1.5% p.a. through 2019–2020. While short-term growth was impacted by political turmoil and uncertainty over the new Italian government, Brexit and the protests in France, the main weak spot is manufacturing, reflecting slower growth in China and the US. Particularly Germany, with its big exposure to manufacturing, has seen forecasts revised down sharply. By contrast, consumer spending remains stable, supported by very healthy labour markets, higher pay awards, low inflation of around 1.5% p.a. and some softening in austerity measures combined with higher public sector spending. The benign outlook for inflation means that the European Central Bank is likely to wait until 2020 before raising the refinancing interest rate. The main upside risk is that consumer spending is stronger than forecast. The main downside risks are continued lack of clarity on Brexit, an escalation of the US-China trade dispute and the threat of US-imposed tariffs on EU exports.

Offices
Most major European cities experienced a rise in office rents over the year to 31 March 2019. This widespread upswing reflects the sustained increase in employment, particularly in technology and professional services over the last five years and low volumes of completions. As a result, vacancy rates in Amsterdam, Brussels, the major German cities, Paris and Stockholm are at their lowest level in 15 years and there is a particular shortage of new and modern office space suitable for new workplace configurations. At the same time, there remains a low level of new development. Consequently, while rental growth will probably start to slow, we expect the increase in office rents to continue through 2019–2020.

Logistics/industrial
The industrial and logistics sector is also seeing strong demand and rising rents, driven by the cyclical improvement in the economy and by the structural growth in online retailing. However, the increase in rents is less ubiquitous than in the office market and big cities (e.g. Berlin, Madrid, Munich, Paris) are generally seeing faster rental growth than ports or other distribution hubs. The difference is largely due to the greater availability of land for new building in the main logistics hubs of Benelux and the Ruhr, but development in big cities is also being held back by low unemployment and a shortage of warehouse staff. This is encouraging greater automation and, combined with the transition to electric vehicles, means that warehouses increasingly need to have a good power supply.

NAV movement	€m[1]	Cps[2]	% change per cps[3]
Brought forward as at 1 October 2018	**182.1**	**136.2**	**–**
Transaction costs of investments made during the period	(1.0)	(0.7)	(0.5)
Capital expenditure	(1.5)	(1.1)	(0.8)
Unrealised gain in valuation of the real estate portfolio	0.7	0.5	0.4
EPRA earnings[4]	5.4	4.0	2.9
Non-cash/capital items	(0.4)	(0.3)	(0.2)
Dividends paid	(2.5)	(1.9)	(1.4)
Carried forward as at 31 March 2019	**182.8**	**136.7**	**0.4**

1 Management reviews the performance of the Group principally on a proportionally consolidated basis. As a result, figures quoted in this table include the Group's share of the Seville joint venture on a line-by-line basis.
2 Based on 133,734,686 shares.
3 Percentage change based on the starting NAV as at 1 October 2018.
4 EPRA earnings as reconciled in note 8 of the condensed consolidated financial statements.



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

Retail

Despite the growth in consumer spending, demand for retail space in continental Europe remains in structural decline. The key challenge is the switch to online retail. The market is also being disrupted by discount retailers who are taking market share from mid-market retailers and are unwilling to pay the same level of rent. The average vacancy rate in shopping centres has risen to 8% and shopping centre rents fell in most countries in 2018 (source: PMA). We believe that the most defensive retail types will be shops in big city centres and tourist destinations, convenience stores, mid-sized supermarkets and out-of-town retail warehouses selling bulky goods. We expect that department stores, shopping centres with a heavy reliance on clothing and footwear, shops in smaller cities and hypermarkets will suffer a sustained fall in rents.

Strategy

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

- Maintaining the annualised target dividend yield of 5.5%.
- Further strengthening of the portfolio's diversification qualities from a city, sector and income perspective.
- Achieving full investment through targeting Winning Cities and regions that experience higher levels of GDP, employment and population growth than national averages.
- Execute asset management initiatives to improve both the long-term income profile and individual asset value.
- Manage portfolio risk in order to enhance the portfolio's defensive qualities.

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

- Acquisition of an industrial property in Rennes, France (comprising two neighbouring warehouses) increasing the Company's industrial warehousing weighting to 19% and improving the portfolio diversification from a sector, tenancy, age profile and unexpired lease term perspective.
- Agreeing conditional heads of terms (post-period end) with Alten regarding their longer term occupation in the Company's largest asset in Boulogne-Billancourt, Paris and refurbishment of this asset.
- Securing new lease agreements with two tenants over c.40% of the Hamburg space, achieved at rents above business plan and in detailed discussions for a further two floors.
- 100% of the portfolio now located in higher growth cities and regions.
- Concluded three new leases and regears, generating a 9% increase in annualised income relative to previous rent at a weighted lease term of three years.
- Completion of a €0.8 million asset management initiative centred on improving the vibrancy, lighting, wayfaring and signage for the Metromar shopping centre, Seville.
- Maintained the high occupancy level of 96%, with an average portfolio unexpired lease term of 6.5 years and 5.1 years to break.
- A prudent loan to value of 28%.

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

1. Conclusion of key asset management initiatives:
   a) Advancing the formal lease pre-commitment for the office investment in Boulogne-Billancourt, Paris and progression of the redevelopment licences, construction contract and programme.
   b) Leasing the remaining c.60% of vacant space in Hamburg.
   c) The opening of leisure specialist Urban Planet in Metromar, Seville which is expected in Q3 2019, which will add a further point of difference to the scheme, enhancing its appeal in a competitive local market.

2. Continue to actively engage with existing shareholders and potential new investors.
3. Consider opportunities to grow the Group, taking a disciplined approach in a way that will improve long-term shareholder returns.

Acquisition update

In March 2019, the Group completed the acquisition of two neighbouring industrial warehouses near Rennes, in Brittany, France, for €17.3 million, reflecting a net initial yield of 5.9%.

Providing 23,852 sq. m of institutional quality space across two adjacent buildings, the property is let on a 12-year lease to C-Log, the logistics subsidiary of Groupe Beaumanoir, the international fashion retailer, which has invested significant capex in equipping the building with automated technology.

The property is located at the junction of two major arterial routes and benefits from excellent sea, high speed rail and air connectivity. In line with Schroders' Winning Cities strategy, Brittany is one of France's fastest growing regions in terms of GDP and population growth.

Asset Management Update

Key asset management over the period has centred on Metromar (Seville) and Boulogne-Billancourt (Paris)

Metromar
Seville (retail shopping centre)

Asset overview
23,500 sq. m urban shopping centre with a tenancy mix centred on grocery, fashion and leisure that services a local, growing catchment.

Asset strategy
Light refurbishment and strengthening of entertainment point of difference to improve occupancy and local retail dominance.

Key activity
Dual strategy involving an €800,000 investment to improve vibrancy, lighting, signage and wayfinding (completed April 2019) whilst adding an additional leisure anchor, trampoline specialist Urban Planet (due to open in August 2019). Defensive measures to increase the property's appeal to visitors and tenants and protect against new competition.

Reviewed the centre's BREEAM in-use certification. The centre achieved a rating of four stars (very good) for building performance and five stars (excellent) for management.

Boulogne-Billancourt
Paris (office)

Asset overview
6,800 sq. m office building located in an established market in Paris' Western Crescent.

Asset strategy
Repositioning opportunity regarding an office investment let of modest rents and located in a supply constrained location with competing demands for uses.

Key activity
Advancement of feasibility analysis regarding redevelopment options. In conjunction we have agreed conditional heads of terms (post-period end) with the sitting tenant regarding their pre-commitment to a new longer-term lease, in return for us refurbishing the building to grade A specification.

Other key asset management

This has included signing two new leases in the Group's Hamburg investment:

1. First floor totalling c.927 sq. m leased to IT services specialist, Sentinel Systemlösungen GmbH for a 7-year term with an option for another 3-year term.
2. Fifth floor totalling c.646 sq. m leased to education and training specialist Grone Wirtschaftsakademie GmbH for a 5-year term with an option for another 5-year term.

The combined annual rental terms have been concluded above target. We are also in detailed discussions for leasing a further two floors.

Real Estate Portfolio

Increased diversification and weighting to growth sectors

Following the latest Rennes acquisition, the Group now owns a portfolio of 13 institutional grade properties valued at €240 million[1] as at 31 March 2019. The properties are 96% let and located across those Winning Cities and regions in France, Germany, Spain and the Netherlands. All investments are 100% owned except for the Metromar shopping centre, Seville, where the Group holds a 50% interest.

The top ten properties comprise 92% of the portfolio value:

				Value	
Rank	Property	Country	Sector	€m	% of total
1	Paris (B-B)[2]	France	Office	41.6	17%
2	Paris (S-C)[3]	France	Office	35.6	15%
3	Berlin	Germany	Retail	26.9	11%
4	Seville	Spain	Retail	26.4	11%
5	Apeldoorn	Netherlands	Mixed	20.0	8%
6	Rennes	France	Industrial	17.6	7%
7	Stuttgart	Germany	Office	16.4	7%
8	Hamburg	Germany	Office	15.3	7%
9	Frankfurt	Germany	Retail	11.5	5%
10	Venray	Netherlands	Industrial	9.6	4%
Top ten properties				**220.9**	**92%**
11–13	Remaining three properties	Netherlands/France	Industrial	19.0	8%
Total				**239.9**	**100%**

The table below sets out the top ten tenants which are from a diverse range of industry segments and represent 67% of the portfolio:

			Contracted rent		WAULT break	WAULT expiry
Rank	Tenant	Property	€m	% of total	(yrs)	(yrs)
1	KPN	Apeldoorn	2.4	14%	7.8	7.8
2	Alten	Paris (B-B)	2.4	14%	2.0	2.0
3	Hornbach	Berlin	1.6	9%	6.8	6.8
4	C-Log	Rennes	1.1	7%	11.9	11.9
5	Filassistance	Paris (S-C)	0.9	5%	2.8	7.8
6	Cereal Partners France	Rumilly	0.7	4%	6.1	7.1
7	DKL	Venray	0.7	4%	9.5	9.5
8	Land BW	Stuttgart	0.7	4%	6.9	7.3
9	Thésée	Paris (S-C)	0.6	3%	0.4	0.4
10	Inventum Industrial	Houten	0.6	3%	7.2	7.2
Total top ten tenants			**11.7**	**67%**	**6.0**	**6.5**
	Remaining tenants		5.5	33%	3.2	6.5
Total			**17.2**	**100%**	**5.1**	**6.5**

The portfolio generates €17.2 million p.a. in contracted income. The average unexpired lease term is 5.1 years to first break and 6.5 years to expiry.

The lease expiry profile to earliest break is shown on page 17. The near-term lease expiries provide asset management opportunities to renegotiate leases, extend weighted average unexpired lease terms, improve income security and generate rental growth. In turn, this activity benefits NAV total return.

Portfolio performance

The current portfolio value of €240 million[1] reflects an increase of 7.8% (€17.4 million) compared to the combined purchase price. Transaction costs have been fully recovered through valuation uplifts since acquisition.

Overall, external valuations remained fairly flat over the six months to the end of March 2019. A notable exception was the Hamburg property where the reduction in valuation was more than compensated for by the payment of the second tranche of the lease surrender premium by former tenant, City BKK.

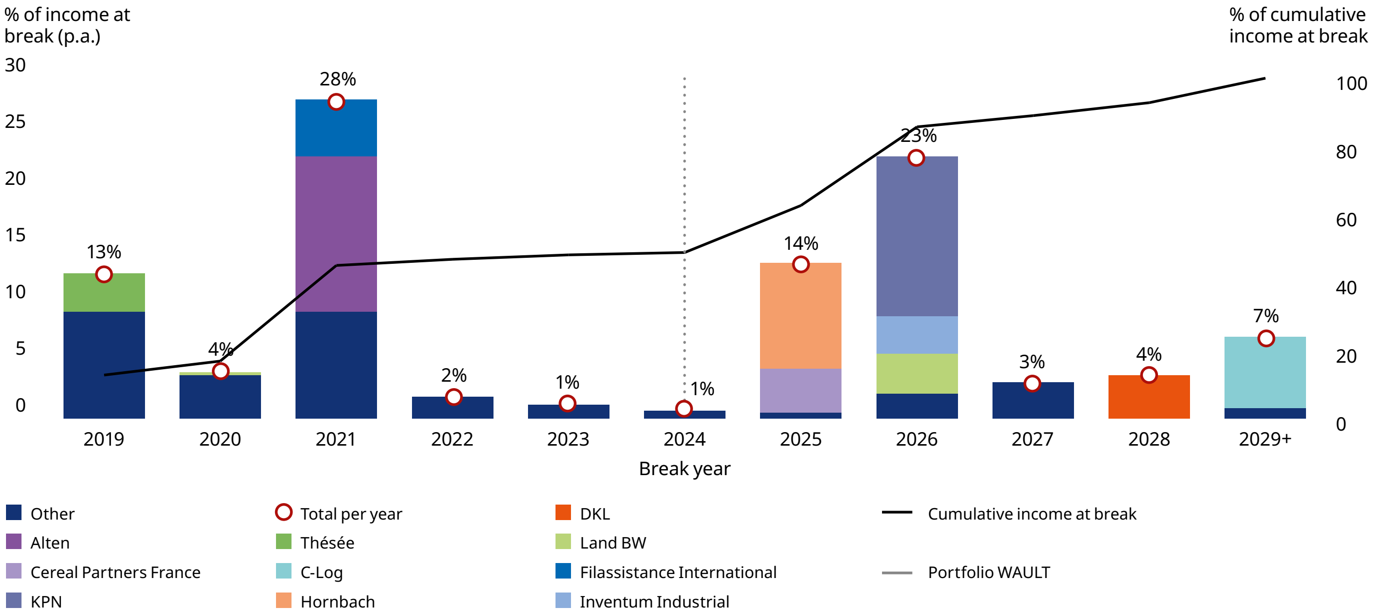
Over the last six months, the underlying property portfolio generated a total property return of 3.5% (non-annualised/3.1% when including the impact from transaction costs for the newly-acquired property in Rennes). Hereof, portfolio income return amounted to 3.8% and portfolio capital return to –0.3% (net of capex).

Sustainable investment

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

1 Includes the Group's 50% share in the Seville property proportionally valued at €26.4 million.
2 B-B refers to Boulogne-Billancourt.
3 S-C refers to Saint-Cloud.

Lease expiry profile



Lender	Property	Maturity date	Outstanding principal[4]	Interest rate
Deutsche Pfandbriefbank	Berlin/Frankfurt	30/06/2026	€16,500,000	1.31%
	Stuttgart/Hamburg	30/06/2023	€14,000,000	0.85%
BRED Banque Populaire	Paris (Saint-Cloud)	15/12/2024	€13,000,000	3M Euribor +1.30%
Münchener Hypothekenbank[4]	Seville (50%)	22/05/2024	€11,678,750	1.76%
HSBC	Netherlands industrial warehousing	27/09/2023	€9,250,000	3M Euribor +2.15%
Saar LB	Rennes	28/03/2024	€8,600,000	3M Euribor +1.40%
Total			**€73,028,750**	

Over the period, the Company had the Metromar shopping centre, Seville, reviewed from a BREEAM in-use perspective. The centre achieved a rating of four stars (very good) for building performance and five stars (excellent) for management. Both these ratings are expected to improve the portfolio's GRESB classification.

Finance

As at 31 March 2019, the Group's total external debt was €73.0 million[5], across six loan facilities. This represents a conservative loan to value of 28% against the Group's gross asset value.

During the first six months of the financial year the Group completed one new debt facility with the newly acquired industrial property in Rennes (comprising two neighbouring warehouses) being part financed with a €8.6 million loan.
The current blended all-in interest rate is 1.4%, significantly below the portfolio yield of 6.2% p.a., providing a favourable yield gap. The average unexpired loan term is 5.5 years.

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

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

Outlook

GDP growth has slowed in Europe over the last six months, impacted by economic and political uncertainty. The majority of the major real estate markets continue to perform well. Occupational demand in leading European cities such as Paris, Berlin, Hamburg, Frankfurt and Amsterdam remains strong. In conjunction with this, the supply side remains balanced with disciplined bank lending reducing speculative development. These are all characteristics for positive rental growth and investment demand.

Our immediate priority is centred on successfully executing our asset management programme. Successful conclusion of these asset management initiatives will improve the portfolio's income profile. This should enhance value and better support our continued ambition for the disciplined growth of the Company.

Schroder Real Estate Investment Management Limited

17 June 2019

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

5 Includes the Group's 50% share of external debt in the joint venture of €11.4 million and excludes unamortised finance costs of €1.1 million.

Directors' Report

Principal risks and uncertainties
The principal risks and uncertainties with the Company's business fall into the following risk categories: investment policy and strategic; economic and property market; investment management; custody; gearing and leverage; accounting, legal and regulatory; valuation; and service provider. A detailed explanation of the risks and uncertainties in each of these categories can be found on pages 27 to 30 of the Company's published Annual Report and Consolidated Financial Statements for the year ended 30 September 2018. The Company is aware of potential changes to tax legislation, one retrospective, which, if implemented, may impact the Company. The Company is monitoring these matters closely. Otherwise, these risks and uncertainties have not materially changed during the six months ended 31 March 2019 and are not expected to change during the remaining six months of the financial year.

Going concern
The Directors have examined significant areas of possible financial risk and have reviewed cash flow forecasts and compliance with the debt covenants, in particular the loan to value covenants and interest cover ratios. They have not identified any material uncertainties which would cast significant doubt on the Group's ability to continue as a going concern for a period of not less than twelve months from the date of the approval of the 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.

Having assessed the principal risks and uncertainties, and the other matters discussed in connection with the viability statement as set out on page 30 of the published Annual Report and Consolidated Financial Statements for the year ended 30 September 2018, the Directors consider it appropriate to adopt the going concern basis in preparing the accounts.

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 2019. 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 IAS 34 Interim Financial Reporting as adopted by the European Union; 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

17 June 2019

Condensed Consolidated Interim Statement of Comprehensive Income

For the period ended 31 March 2019

	Note	**Six months to 31 March 2019 €000 (unaudited)**	Six months to 31 March 2018 €000 (unaudited)	Year to 30 September 2018 €000 (audited)
Rental and service charge income	2	**8,945**	10,347	19,900
Other income	3	**1,500**	2,400	2,400
Property operating expenses		**(2,423)**	(3,899)	(6,458)
Net rental and related income		**8,022**	**8,848**	**15,842**
Loss on disposal		**–**	–	(29)
Net (loss)/gain from fair value adjustment on investment property	4	**(1,566)**	6,359	4,939
Realised gain on foreign exchange		**4**	1	1
Net change in fair value of financial instruments at fair value through profit or loss	5	**(200)**	(39)	(155)
Dividends received from joint venture	6	**–**	–	150
Expenses				
Investment management fee	13	**(947)**	(849)	(1,958)
Valuers' and other professional fees		**(494)**	(309)	(687)
Administrator's and accounting fees		**(165)**	(147)	(330)
Auditors' remuneration		**(191)**	(134)	(269)
Directors' fees	13	**(72)**	(62)	(115)
Other expenses		**(129)**	(119)	(206)
Total expenses		**(1,998)**	**(1,620)**	**(3,565)**
Operating profit		**4,262**	**13,549**	**17,183**
Finance income		**226**	378	456
Finance costs		**(402)**	(502)	(962)
Net finance costs		**(176)**	**(124)**	**(506)**
Share of (loss)/profit of joint venture	6	**(71)**	292	407
Profit before taxation		**4,015**	13,717	17,084
Taxation	7	**(818)**	(815)	(1,517)
Profit after taxation		**3,197**	**12,902**	**15,567**
Attributable to:				
Owners of the parent		**3,197**	10,798	13,175
Non-controlling interests		**–**	2,104	2,392
		3,197	**12,902**	**15,567**

Condensed Consolidated Interim Statement of Comprehensive Income continued

For the period ended 31 March 2019

	Note	**Six months to 31 March 2019 €000 (unaudited)**	Six months to 31 March 2018 €000 (unaudited)	Year to 30 September 2018 €000 (audited)
Basic and diluted earnings per share attributable to owners of the parent	8	**2.4c**	**8.1c**	**9.9c**
Profit for the period/year		**3,197**	**12,902**	**15,567**
Other comprehensive income:				
Other comprehensive loss items that may be reclassified to profit or loss:				
Currency translation differences		(6)	–	(4)
Total other comprehensive loss		**(6)**	**–**	**(4)**
Total comprehensive income for the period/year		**3,191**	**12,902**	**15,563**
Attributable to:				
Owners of the parent		3,191	10,798	13,171
Non-controlling interests		–	2,104	2,392
		3,191	**12,902**	**15,563**

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 2019

	Note	Six months to 31 March 2019 €000 (unaudited)	Six months to 31 March 2018 €000 (unaudited)	Year to 30 September 2018 €000 (audited)
Assets				
Non-current assets				
Investment property	4	**213,174**	195,644	166,173
Investment in joint venture	6	**6,626**	6,697	6,582
Loans to joint venture		**10,035**	10,035	10,035
Non-current assets		**229,835**	**212,376**	**182,790**
Trade and other receivables		**5,773**	12,537	850
Interest rate derivative contracts	5	**121**	188	232
Cash and cash equivalents		**15,166**	15,738	21,268
Current assets		**21,060**	**28,463**	**22,350**
Assets of disposal group held for sale		**–**	**–**	**70,389**
Total assets		**250,895**	**240,839**	**275,529**
Equity				
Share capital		**15,540**	15,015	15,215
Share premium		**30,959**	29,912	30,310
Retained earnings		**5,120**	4,397	9,442
Other reserves		**131,167**	132,745	132,151
Equity attributable to owners of the parent		**182,786**	**182,069**	**187,118**
Non-controlling interest		**–**	–	9,795
Total equity		**182,786**	**182,069**	**196,913**
Liabilities				
Non-current liabilities				
Interest-bearing loans and borrowings	9	**60,506**	52,150	43,079
Deferred tax liability	7	**1,061**	912	883
Non-current liabilities		**61,567**	**53,062**	**43,962**
Current liabilities				
Trade and other payables		**5,619**	5,081	3,980
Current tax liabilities	7	**923**	627	114
Current liabilities		**6,542**	**5,708**	**4,094**
Liabilities of disposal group held for sale		**–**	**–**	**30,560**
Total liabilities		**68,109**	58,770	78,616
Total equity and liabilities		**250,895**	**240,839**	**275,529**
Net asset value per ordinary share	11	**136.7c**	136.2c	139.9c

The condensed consolidated interim financial statements on pages 19–33 were approved at a meeting of the Board of Directors held on 17 June 2019 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.

Condensed Consolidated Interim Statement of Changes in Equity

For the period ended 31 March 2019

	Note	Share capital €000	Share premium €000	Retained earnings €000	Other reserves €000	Owners of the parent €000	Non-controlling interests €000	Total equity €000
Balance as at 1 October 2018		15,015	29,912	4,397	132,745	182,069	–	182,069
Profit for the period		–	–	3,197	–	3,197	–	3,197
Other comprehensive loss for the year		–	–	–	(6)	(6)	–	(6)
Dividends paid	12	–	–	(2,474)	–	(2,474)	–	(2,474)
Unrealised foreign exchange		525	1,047	–	(1,572)	–	–	–
Balance as at 31 March 2019 (unaudited)		**15,540**	**30,959**	**5,120**	**131,167**	**182,786**	**–**	**182,786**

	Note	Share capital €000	Share premium €000	Retained earnings €000	Other reserves €000	Owners of the parent €000	Non-controlling interests €000	Total equity €000
Balance as at 1 October 2017		15,167	30,215	650	132,294	178,326	7,691	186,017
Profit for the year		–	–	13,175	–	13,175	2,392	15,567
Other comprehensive loss for the year		–	–	–	(4)	(4)	–	(4)
Dividends paid	12	–	–	(9,428)	–	(9,428)	–	(9,428)
Share premium distribution		–	–	–	–	–	(1,510)	(1,510)
Divestment of non-controlling interests		–	–	–	–	–	(8,573)	(8,573)
Unrealised foreign exchange		(152)	(303)	–	455	–	–	–
Balance as at 30 September 2018 (audited)		**15,015**	**29,912**	**4,397**	**132,745**	**182,069**	**–**	**182,069**

	Note	Share capital €000	Share premium €000	Retained earnings €000	Other reserves €000	Owners of the parent €000	Non-controlling interests €000	Total equity €000
Balance as at 1 October 2017		15,167	30,215	650	132,294	178,326	7,691	186,017
Profit for the period		–	–	10,798	–	10,798	2,104	12,902
Dividends paid	12	–	–	(2,006)	–	(2,006)	–	(2,006)
Unrealised foreign exchange		48	95	–	(143)	–	–	–
Balance as at 31 March 2018 (unaudited)		**15,215**	**30,310**	**9,442**	**132,151**	**187,118**	**9,795**	**196,913**

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 2019

	Note	**Six months to 31 March 2019 €000 (unaudited)**	Six months to 31 March 2018 €000 (unaudited)	Year to 30 September 2018 €000 (audited)
Operating activities				
Profit before tax for the period/year		**4,015**	13,717	17,084
Adjustments for:				
Loss on disposal		**–**	–	29
Net loss/(gain) from fair value adjustment on investment property	4	**1,566**	(6,359)	(4,939)
Share of loss/(profit) of joint venture	6	**71**	(292)	(407)
Realised foreign exchange gains		**(4)**	(1)	(1)
Finance income		**(226)**	(378)	(456)
Finance costs		**402**	502	962
Net change in fair value of financial instruments at fair value through profit or loss	5	**200**	39	155
Dividends received from joint venture	6	**–**	–	(150)
Operating cash generated before changes in working capital		**6,024**	**7,228**	**12,277**
Decrease/(Increase) in trade and other receivables		**6,761**	(113)	(3,122)
Increase in trade and other payables		**259**	816	2,300
Cash generated from operations		**13,044**	**7,931**	**11,455**
Finance costs paid		**(569)**	(664)	(1,255)
Finance income received		**226**	381	456
Tax paid	7	**(373)**	(224)	(384)
Net cash generated from operating activities		**12,328**	**7,424**	**10,272**
Investing activities				
Acquisition of investment property		**(18,013)**	(21,070)	(51,992)
Additions to investment property		**(878)**	(123)	–
Proceeds from disposal of investment property		**–**	–	19,740
Receipt of loan repayment		**–**	–	7,215
Dividends received from joint venture	6	**–**	–	150
Net cash used in investing activities		**(18,891)**	**(21,193)**	**(24,887)**
Financing activities				
Proceeds from borrowings	9	**8,600**	13,000	13,000
Interest rate cap purchased	5	**(133)**	(227)	(227)
Dividends paid	12	**(2,474)**	(2,006)	(9,428)
Share premium distribution		**–**	–	(1,510)
Net cash generated from financing activities		**5,993**	**10,767**	**1,835**
Net decrease in cash and cash equivalents for the period/year		**(570)**	**(3,002)**	**(12,780)**
Opening cash and cash equivalents		**15,738**	**28,521**	**28,521**
Effects of exchange rate change on cash		**(2)**	1	(3)
Transfer to disposal group held for sale		**–**	(4,252)	–
Closing cash and cash equivalents		**15,166**	**21,268**	**15,738**

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 2019 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 2018 were approved by the Board of Directors on 30 November 2018 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 the Disclosure Guidance and Transparency Rules of the United Kingdom Financial Conduct Authority and IAS 34 Interim Financial Reporting as adopted by the European Union ('EU'). 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 2018. 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 2018. The consolidated financial statements for the year ended 30 September 2018 have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU. 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.

During the period the Group adopted the following standards:

IFRS 9 – Financial instruments

The new standard results in changes in the classification of all financial assets excluding derivatives. This reclassification does not have an impact on the financial statements.

The new standard introduces an expected credit loss model, requiring expected credit losses to be recognised on all financial assets held at amortised cost.

This new IFRS 9 impairment model requires impairment allowances for all exposures from the time a loan is originated, based on the deterioration of credit risk since initial recognition. If the credit risk has not increased significantly (Stage 1), IFRS 9 requires allowances based on twelve month expected losses. If the credit risk has increased significantly (Stage 2) and if the loan is 'credit impaired' (Stage 3), the standard requires allowances based on lifetime expected losses. The assessment of whether a loan has experienced a significant increase in credit risk varies by product and risk segment. It requires use of quantitative criteria and experienced credit risk judgement.

The expected credit risk model has been applied to the joint venture loan and trade receivables. IFRS 9 does not apply to any other assets held by the Group.

There is no material quantitative impact for the period ended 31 March 2019 upon application of this new accounting policy for assessing asset impairment. The Group will continue to assess the financial assets periodically using the credit loss model and recognise an expected credit loss if required.

IFRS 15 – Revenue from contracts with customers

The new standard sets out a five-step model for the recognition of revenue and establishes principles for reporting useful information to users of financial statements about the nature, timing and uncertainty of revenues and cash flows arising from an entity's contracts with customers. The new standard does not apply to rental income which is in the scope of IAS 17, but does apply to service charge income, management and performance fees and trading property disposals. Adoption of IFRS 15 has not had a quantitative impact upon the Group's financial statements. It has resulted in some minor qualitative disclosure in relation to some revenue items, as detailed in note 2 to the condensed consolidated interim financial statements, the service charge income has been separated from rental income.

1. Significant accounting policies continued

IFRS 16 – Leases

The new standard requires recognition on the balance sheet for the head rent payable by a lessee over the lease term. For lessees, it will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases will be removed. The accounting for lessors will not significantly change. These changes are not expected to have any impact on the consolidated financial statements of the Group as it does not hold any leasehold properties.

IFRS 16 was effective from 1 January 2019 but has not been early adopted by the Group.

Going concern

The Directors have examined significant areas of possible financial risk including cash and cash requirements and compliance with the debt covenants. The Directors have not identified any material uncertainties which would cast significant doubt on the Group's ability to continue as a going concern for a period of not less than twelve months from the date of the approval of the 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 in conformity with IFRS, as adopted by the EU, requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The most significant estimates made in preparing the condensed consolidated interim financial statements relate to the carrying value of investment properties (as disclosed in note 4, including those within joint ventures) which are stated at fair value. Fair value is inherently subjective because the valuer makes assumptions which may not prove to be accurate. The Group uses external professional valuers to determine the relevant amounts.

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

Another key area of judgement is tax provisioning and disclosure. Management use external tax advisers to monitor changes to tax laws in countries 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.

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 Directors are not aware of significant changes to the financial risk profile of the Group since the end of the last annual financial reporting period for the year ended 30 September 2018.

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.

2. Rental and service charge income

	Six months to 31 March 2019 €000 (unaudited)	Six months to 31 March 2018 €000 (unaudited)	Year to 30 September 2018 €000 (audited)
Rental income	**6,976**	6,688	13,708
Service charge income	**1,969**	3,659	6,192
Total	**8,945**	**10,347**	**19,900**

Notes to the Financial Statements continued

3. Other income

Other income relates to a lease surrender premium agreement pursuant to the Company's Hamburg office asset in Germany. €1.5 million was received in the six months ended 31 March 2019 and €2.4 million was received during the year ended 30 September 2018.

4. Investment property

	Freehold €000
Fair value at 30 September 2017 (audited)	**202,563**
Property acquisitions	21,127
Additions	124
Net valuation gain on investment property	6,359
Sub-total	**230,173**
Transfer to disposal group held for sale	(64,000)
Fair value as at 31 March 2018 (unaudited)	**166,173**
Property acquisitions	27,042
Acquisition costs	3,849
Net valuation loss on investment property	(1,420)
Fair value as at 30 September 2018 (audited)	**195,644**
Property acquisitions	18,211
Additions	885
Net valuation loss on investment property	(1,566)
Fair value as at 31 March 2019 (unaudited)	**213,174**

The fair value of investment properties, as determined by the valuer, totals €213,530,000 (30 September 2018: €195,950,000) 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 €213,174,000 includes a tenant incentive adjustment of €356,000 (30 September 2018: €306,000).

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

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

The valuation has been undertaken using 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 is disclosed on page 27.

4. Investment property continued

Quantitative information about fair value measurement using unobservable inputs (Level 3) as at 31 March 2019 (unaudited)

		Industrial	Retail (including retail warehouse)	Office	Total
Fair value (€000)		46,280	91,150	128,900	**€266,330[3]**
Area ('000 sq. m)		68,806	44,365	60,429	**173,600**
Net passing rent € per sq. m per annum	Range	39.78–99.84	94.73–140.72	47.46–350.03	**39.78–350.03**
	Weighted average[2]	48.29	114.02	209.39	**148.76**
Gross ERV € per sq. m per annum	Range	38.00–89.40	101.58–187.50	79.76–419.91	**38.00–419.91**
	Weighted average[2]	48.44	158.43	239.77	**178.69**
Net initial yield[1]	Range	5.64–7.43	4.79–5.38	1.79–11.40	**1.79–11.40**
	Weighted average[2]	6.38	4.99	6.70	**6.06**
Equivalent yield	Range	5.50–7.00	5.10–5.98	4.23–10.44	**4.23–10.44**
	Weighted average[2]	6.25	5.76	6.17	**6.04**

Notes:
1 Yields based on rents receivable after deduction of head rents and non-recoverables.
2 Weighted by market value.
3 This table includes the joint venture investment property valued at €52.8 million which is disclosed within the summarised information within note 6 as part of total assets.

Quantitative information about fair value measurement using unobservable inputs (Level 3) as at 30 September 2018 (audited)

		Industrial	Retail (including retail warehouse)	Office	Total
Fair value (€000)		28,600	89,650	129,700	247,950[3]
Area ('000 sq. m)		43,666	44,336	60,423	148,425
Net passing rent € per sq. m per annum	Range	39.84–97.94	94.73–140.01	63.24–349.98	39.84–349.98
	Weighted average[2]	51.48	115.88	210.84	158.12
Gross ERV € per sq. m per annum	Range	38.00–89.43	101.58–189.45	76.76–419.91	38.00–419.91
	Weighted average[2]	51.61	159.74	239.88	189.19
Net initial yield[1]	Range	6.04–7.33	4.90–5.52	2.46–11.00	2.46–11.00
	Weighted average[2]	6.75	5.10	6.69	6.12
Equivalent yield	Range	6.01–7.00	5.10–5.95	4.43–10.10	4.43–10.10
	Weighted average[2]	6.62	5.78	6.15	6.07

Notes:
1 Yields based on rents receivable after deduction of head rents and non-recoverables.
2 Weighted by market value.
3 This table includes the joint venture investment property valued at €52.0 million which is disclosed within the summarised information within note 6 as part of total assets.

Sensitivity of measurement to variations in the significant unobservable inputs

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

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

Notes to the Financial Statements continued

4. Investment property continued

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

Estimated movement in fair value of investment properties at 31 March 2019 (unaudited)	**Industrial €000**	**Retail €000**	**Office €000**	**Total €000**
Increase in ERV by 5%	**1,350**	**3,550**	**2,000**	**6,900**
Decrease in ERV by 5%	**(1,350)**	**(3,550)**	**(2,000)**	**(6,900)**
Increase in net initial yield by 0.25%	**(1,850)**	**(4,000)**	**(6,400)**	**(12,250)**
Decrease in net initial yield by 0.25%	**2,050**	**4,400**	**7,100**	**13,550**

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

5. Derivative financial instruments

The Group has an interest rate cap in place which was purchased for €227,000 from BRED Banque Populaire on 15 December 2017 in connection to a €13.0 million loan facility drawn from the same bank with a maturity date of 15 December 2024. The interest rate cap is 1.25% with a floating rate option being Euribor 3 months. In line with IFRS 9, this derivative is reported in the condensed consolidated interim financial statements at its fair value. As at 30 September 2018 the fair value of the interest rate cap was €188,000. The notional value of the instrument is €13.0 million. As at 31 March 2019 the fair value of the interest rate cap was €58,000, giving a valuation decrease as shown within the Statement of Comprehensive Income of €130,000.

During the period the Group entered into an interest rate cap purchased for €87,000 from HSBC Bank Plc on 31 October 2018 in connection to a €9.25 million loan facility drawn from the same bank with a maturity date of 27 September 2023. The cap interest rate is 1.0% with a floating rate option being Euribor 3 months. In line with IFRS 9, this derivative is reported in the condensed consolidated interim financial statements at its fair value. As at 31 March 2019 the fair value of the interest rate cap was €17,000, giving a valuation decrease as shown in the Statement of Comprehensive Income of €70,000.

During the period the Group entered into an interest rate cap purchased for €46,000 from Landesbank Saar on 27 March 2019 in connection with an €8.6 million loan facility drawn from the same bank with a maturity date of 27 March 2024. The interest rate cap is 1.0% with a floating rate option being Euribor 3 months. In line with IFRS 9, this derivative is reported in the condensed consolidated interim financial statements at its fair value. As at 31 March 2019 the fair value of the interest rate cap was €46,000. There was no movement in the fair value of the interest rate cap as at 31 March 2019.

Transaction costs incurred in obtaining the instruments are amortised over the extended period of the above-mentioned loans.

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 2019 €000
Balance as at 1 October 2018 (audited)	**6,697**
Share of loss for the period	**(71)**
Balance as at 31 March 2019 (unaudited)	**6,626**

	31 March 2018 €000
Balance as at 1 October 2017 (audited)	**6,290**
Share of profit for the year	442
Dividends	(150)
Balance as at 31 March 2018 (unaudited)	**6,582**

	30 September 2018 €000
Balance as at 1 October 2017 (audited)	**6,290**
Share of profit for the year	557
Dividends	(150)
Balance as at 30 September 2018 (audited)	**6,697**

Summarised joint venture financial information:	**31 March 2019 €000 (unaudited)**	31 March 2018 €000 (unaudited)	30 September 2018 €000 (audited)
Total assets	**58,861**	59,586	58,444
Total liabilities	**(45,609)**	(46,422)	(45,050)
Net assets	**13,252**	13,164	13,394
Net asset value attributable to the Group	**6,626**	6,582	6,697

	Six months to 31 March 2019 €000 (unaudited)	Six months to 31 March 2018 €000 (unaudited)	Year to 30 September 2018 €000 (audited)
Revenues	**2,826**	2,838	5,464
Total comprehensive (loss)/profit	**(142)**	884	1,114
Total comprehensive (loss)/profit attributable to the Group	**(71)**	442	557

Notes to the Financial Statements continued

7. Taxation

	Six months to 31 March 2019 €000 (unaudited)	Six months to 31 March 2018 €000 (unaudited)	Year to 30 September 2018 €000 (audited)
Current tax charge	**669**	405	1,078
Deferred tax charge	**149**	410	439
Tax expense in period/year	**818**	815	1,517

	Current tax liability €000	Deferred tax liability €000
As at 1 October 2018 (audited)	**627**	**912**
Tax charge for the period	669	149
Tax paid during the period	(373)	–
Balance as at 31 March 2019 (unaudited)	**923**	**1,061**

	Current tax liability €000	Deferred tax liability €000
As at 1 October 2017 (audited)	**(67)**	**473**
Tax charge for the period	405	410
Tax paid during the period	(224)	–
Balance as at 31 March 2018 (unaudited)	**114**	**883**

	Current tax liability €000	Deferred tax liability €000
As at 1 October 2017 (audited)	**(67)**	**473**
Tax charge for the period	1,078	439
Tax paid during the period	(384)	–
Balance as at 30 September 2018 (audited)	**627**	**912**

Under the current Double Taxation Treaty between France and Luxembourg, dividends paid by OPPCI SEREIT France to SEREIT Holdings are subject to withholding tax at a rate of 5% and are exempt from further taxation in Luxembourg. However, this Treaty has been in the process of renegotiation. Proposed changes to the Treaty mean, amongst other things, that dividends paid by OPPCI SEREIT France to SEREIT Holdings could be subject to 30% withholding tax and may incur further tax charges in Luxembourg.

The new Double Taxation Treaty will come in to force on 1 January 2020, subject to the completion of the ratification process by both governments. As at 31 March 2019 the Treaty had not been fully ratified. It is expected that the company will recognise an additional deferred tax liability of €1.4 million upon completion of the ratification process, reflecting the potential tax liability relating to unrealised gains arising within OPPCI SEREIT France.

In April 2019 the European Commission ('EC') issued a ruling that a UK group financing exemption within the UK Controlled Foreign Company rules was partially in breach of the European Union State aid rules. The Group has made claims to apply this exemption in respect of SEREIT (Jersey) Limited which provides financing to other group companies, and this ruling may result in additional tax liabilities becoming payable. The UK government has not yet indicated whether it intends to appeal against the ruling, and nor has it published the mechanism for calculating the tax due. Accordingly the sum potentially payable cannot be accurately measured at this time.

8. Basic and diluted earnings per share

The basic and diluted earnings per share for the Group is based on the net profit for the period, excluding non-controlling interests and currency translation differences, of €3,197,000 (six months to 31 March 2018: €10,798,000, for year ended 30 September 2018: €13,175,000) and the weighted average number of ordinary shares in issue during the period of 133,734,686 (six months to 31 March 2018: 133,734,686, year to 30 September 2018: 133,734,686).

EPRA[1] earnings reconciliation

	Six months to 31 March 2019 €000 (unaudited)	Six months to 31 March 2018 €000 (unaudited)	Year to 30 September 2018 €000 (audited)
Total IFRS comprehensive income	**3,191**	12,902	15,563
Adjustments to calculate EPRA Earnings:			
Net loss/(gain) from fair value adjustment on investment property	**1,566**	(6,359)	(4,939)
Currency translation differences (unrealised)	**6**	–	4
Loss on disposal of investment properties, development properties held for investment and other interests	**–**	–	29
Withholding tax on profits on disposal	**–**	–	279
Share of joint venture loss/(gain) on investment property	**264**	(156)	(8)
Non-controlling interest's net revenue	**–**	(378)	(692)
Deferred tax	**149**	410	439
Net change in fair value of financial instruments	**200**	39	155
EPRA Earnings	**5,376**	**6,458**	**10,830**
Weighted average number of ordinary shares	**133,734,686**	133,734,686	133,734,686
IFRS Earnings per share (cents per share)	**2.4**	**8.1**	**9.9**
EPRA Earnings per share (cents per share)	**4.0**	**4.8**	**8.1**

Headline[2] earnings reconciliation

	Six months to 31 March 2019 €000 (unaudited)	Six months to 31 March 2018 €000 (unaudited)	Year to 30 September 2018 €000 (audited)
Total IFRS comprehensive income	**3,191**	12,902	15,563
Adjustments to calculate headline earnings exclude:			
Net valuation (loss)/profit on investment property	**1,566**	(6,359)	(4,939)
Profits on disposal of investment properties, development properties held for investment and other interests	**–**	–	29
Withholding tax on profits on disposal	**–**	–	279
Share of joint venture (loss)/gain on investment property	**264**	(156)	(8)
Non-controlling interest's net revenue	**–**	(378)	(692)
Deferred tax	**149**	410	439
Net change in fair value of financial instruments	**200**	39	155
Headline earnings	**5,370**	**6,458**	**10,826**
Weighted average number of ordinary shares	**133,734,686**	133,734,686	133,734,686
Headline Earnings per share (cents per share)	**4.0**	**4.8**	**8.1**

1 European Public Real Estate Association ('EPRA') earnings per share reflects the underlying performance of the company calculated in accordance with the EPRA guidelines.
2 Headline earnings per share reflects the underlying performance of the Group calculated in accordance with the Johannesburg Stock Exchange listing requirements.

Notes to the Financial Statements continued

9. Interest-bearing loans and borrowings

	Six months to 31 March 2019 €000
As at 1 October 2018 (audited)	**52,150**
Drawdown of borrowings	**8,600**
Capitalisation of finance costs	**(299)**
Amortisation of finance costs	**55**
As at 31 March 2019 (unaudited)	**60,506**

	Year to 30 September 2018 €000
As at 1 October 2017 (audited)	**58,772**
Receipt of borrowings	22,250
Disposal – loans	(29,064)
Disposal – finance costs	472
Capitalisation of finance costs	(416)
Amortisation of finance costs	136
As at 30 September 2018 (audited)	**52,150**

	Six months to 31 March 2018 €000
As at 1 October 2017 (audited)	**58,772**
Drawdown of borrowings	13,000
Capitalisation of finance costs	(204)
Amortisation of finance costs	72
	71,640
Transfer to disposal group held for sale	(28,561)
As at 31 March 2018 (unaudited)	**43,079**

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

The loan matures on 27 March 2024 and carries an interest rate of 1.40% plus EURIBOR 3 months per annum payable quarterly. An additional 25bps is applied to the margin if the LTV is between 56% and 60% or 50bps if the LTV is above 60%. The facility was subject to a €56,000 arrangement fee which is amortised over the period of the loan. The debt has an LTV covenant of 64% and the HIC and PIC should each be above 220%.

A pledge of all shares in the borrowing Group company is in place.

10. Issued capital and reserves

As at 31 March 2019, the Company has 133,734,686 ordinary shares in issue with a par value of 10.00 pence (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 excluding non-controlling interests at 31 March 2019 of €182,786,000 (30 September 2018: €182,069,000; 31 March 2018: €187,118,000) and 133,734,686 ordinary shares in issue at 31 March 2019 (30 September 2018: 133,734,686; 31 March 2018: 133,734,686).

12. Dividends paid

Six months ended 31 March 2019 (unaudited)	**Number of ordinary shares**	**Rate (cents)**	**€000**
Interim dividend paid 25 January 2019	133,734,686	1.85	**2,474**

Six months ended 31 March 2018 (unaudited)	Number of ordinary shares	Rate (cents)	€000
Interim dividend paid 19 January 2018	133,734,686	1.50	**2,006**

Year ended 30 September 2018 (audited)	Number of ordinary shares	Rate (cents)	€000
Interim dividend paid on 19 January 2018	133,734,686	1.50	2,006
Interim dividend paid on 13 April 2018	133,734,686	1.85	2,474
Interim dividend paid on 20 July 2018	133,734,686	1.85	2,474
Interim dividend paid on 14 September 2018	133,734,686	1.85	2,474
Total interim dividends paid			**9,428**

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 twelve months written notice, such notice not to expire earlier than the third anniversary of admission, or on immediate notice in the event of certain breaches of its terms or the insolvency of either party. The total charge to profit and loss during the period was €947,000 (six months ended 31 March 2018: €849,000, year ended 30 September 2018: €1,958,000). At 31 March 2019, €140,000 was outstanding (six months ended 31 March 2018: €881,000, year ended 30 September 2018: €318,000).

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 2019 was €72,000 (six months ended 31 March 2018: €62,000, year ended 30 September 2018: €105,325) equivalent to £61,962. Each of the three directors owns 10,000 shares in the Company.

14. Contingent liability

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

15. Capital commitments

At 31 March 2019 the Group had capital commitments of €821,000 (30 September 2018: €293,590, 31 March 2018: €400,000).

16. Post balance sheet events

There were no post balance sheet events.

Independent Review Report to Schroder European Real Estate Investment Trust plc

Report on the Condensed Consolidated Interim Financial statements

Our conclusion

We have reviewed Schroder European Real Estate Investment Trust plc's Condensed Consolidated Interim Financial Statements (the 'interim financial statements') in the Half Year Report and Condensed Consolidated Interim Financial Statements of Schroder European Real Estate Investment Trust plc for the six month period ended 31 March 2019. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the Condensed Consolidated Interim Statement of Financial Position as at 31 March 2019;
- the Condensed Consolidated Interim Statement of Comprehensive Income for the period then ended;
- the Condensed Consolidated Interim Statement of Cash Flows for the period then ended;
- the Condensed Consolidated Interim Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

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

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the Directors

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

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

What a review of interim financial statements involves

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

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

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

PricewaterhouseCoopers LLP
Chartered Accountants
London
17 June 2019

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.

AIC stands for Association of Investment Companies and is the trade body for closed-ended investment companies. The association represents a broad range of closed-ended investment companies, incorporating investment trusts, offshore investment companies, Real Estate Investment Trusts ('REITs') and Venture Capital Trusts ('VCTs').

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

BREEAM stands for Building Research Establishment Environmental Assessment Method and is an international scheme that provides independent third party certification of the assessment of the sustainability performance of individual buildings, communities and infrastructure projects.

Companies Act means the Companies Act 2006.

Company is Schroder European Real Estate Investment Trust plc.

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

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

Earnings per share ('EPS') is the profit after taxation divided by the weighted average number of shares in issue during the period.

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

EPRA is European Public Real Estate Association.

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

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

FCA is the UK Financial Conduct Authority.

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

GRESB stands for Global Real Estate Sustainability Benchmark which assesses and benchmarks the environmental, social and governance ('ESG') performance of real assets, providing standardised and validated data to the capital markets.

Group is the Company and its subsidiaries.

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

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

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

JSE is the Johannesburg Stock Exchange.

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

LSE is the London Stock Exchange.

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

Net Asset Value ('NAV') is the value of total assets 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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Sir Julian Berney Bt.
Jonathan Thompson
Mark Patterson

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Registered Office
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Company Secretary
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London W1U 8AN

Tax Advisers
KPMG
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ISA
The Company's shares are eligible for Individual Savings Accounts ('ISAs').

Certain pre-sale, regular and periodic disclosures required by the AIFM Directive may be found on the website www.schroders.co.uk/its

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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 Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

Dealing Codes
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SEDOL Number: BY7R8K7
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Ticker (JSE): SCD

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Legal Entity Identifier (LEI) –
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