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 2020

About Us

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.

Company summary

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 2020, the Company had 133,734,686 shares in issue and had 15 subsidiaries and one branch 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 200 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.

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.

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.

The value of any individual property at the date of its acquisition will not exceed 20% of the Company's gross assets. 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.

Covid-19

The Covid-19 pandemic is an unprecedented event for the modern global economy that has increased the risks associated with delivering the Company's strategy. The pandemic is leading to market uncertainty and volatility as well as uncertainty over rental income generated by the portfolio. This has required an immediate focus on rent collection, reducing risk and implementing new property management procedures to ensure tenants and consumers can return safely to our buildings.

Contents

Highlights for the Period to 31 March 2020

NAV total return
2.7%

Property returns[1]
4.0%

Portfolio uplift against purchase price[1]
11.1%

IFRS profit after tax
€4.9m

Dividends declared
€3.7m

Portfolio located in higher-growth regions[1]
100%

Office/industrial/mixed-use data centre exposure[1]
75%

LTV
30%

GRESB 2019

- NAV total return of 2.7% over six months and 5.2% over the last 12 months
- Underlying property portfolio total return of 4.0% over six months and 8.3% over the last 12 months
- Current portfolio valued at €247.3 million[1] reflecting an uplift of approximately 11.1% on purchase price
- IFRS profit of €4.9 million, underpinned by valuation uplift
- Dividends declared of €3.7 million which are 116%[2] covered by EPRA earnings
- 75% of the portfolio invested in business space assets (office/industrial/mixed-use data centre) in cities including Paris, Stuttgart and Hamburg
- Progressed key asset management initiatives at Paris Boulogne-Billancourt and Hamburg office assets
- Loan to value ('LTV') 30% / LTV net of cash 27%
- Actively dealing with the impact of Covid-19 on the portfolio. Rent collection post period end for April to June is above 80%
- Global Real Estate Sustainability Benchmark ('GRESB') Green Star achieved for 2019

1 Calculated on proportional basis. Includes the Group's 50% share in the Seville property.
2 Calculated using EPRA measures.

Highlights for the Period to 31 March 2020 continued

Strategic[1]

Portfolio by value located in higher-growth regions

100%

(2019: 100%)

Office/industrial/mixed-use data centre exposure

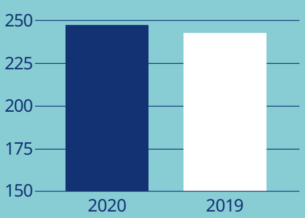
75%

(2019: 75%)

Portfolio value

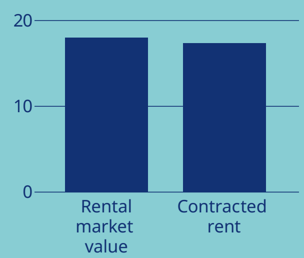
€247.3m

(2019: €242.7m)



Market rental value above contracted rent

4%



Occupancy

95%

(2019: 94%)

Average unexpired lease term to expiry

6.0yrs

(2019: 6.4yrs)

Artist's impression of the Boulogne-Billancourt refurbishment

1 Calculated on a proportional basis. Includes the Group's 50% share in the Seville property.

Performance

Portfolio total return

1 year

8.3%

(2019: 7.7%)

3 years

9.1%

(2019: 9.6%)

Portfolio income return

1 year

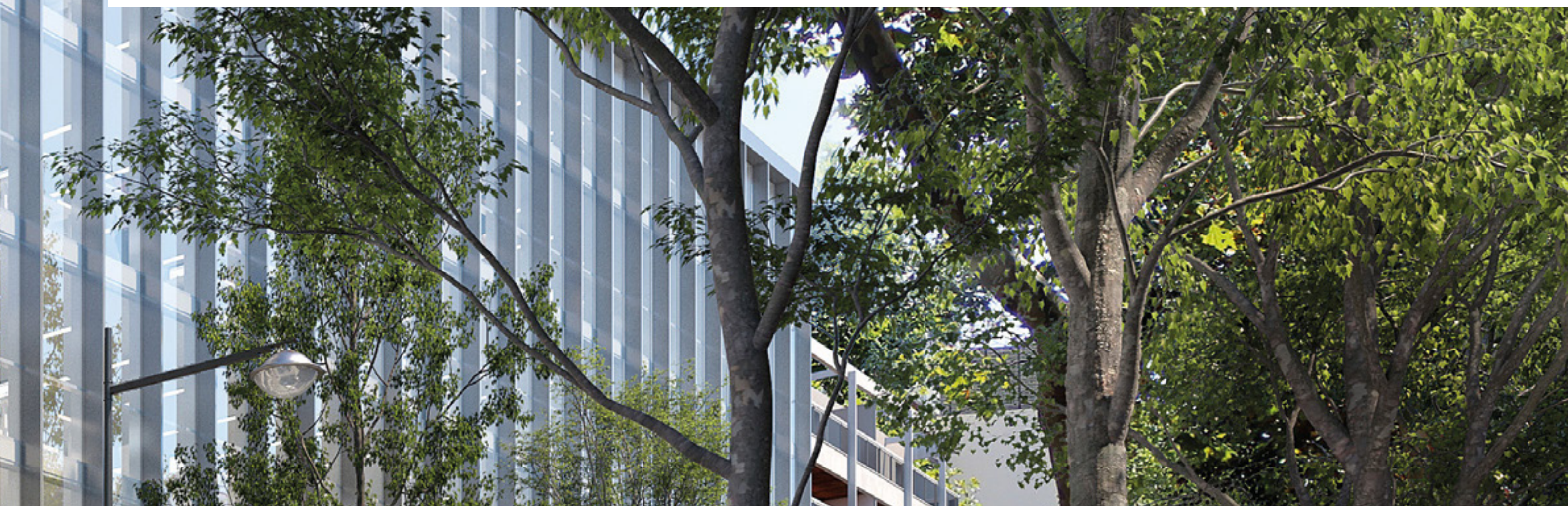
6.6%

(2019: 7.2%)

3 years

7.0%

(2019: 7.0%)



Financial

Net asset value ('NAV') total return

1 year

5.2%

(2019: 4.1%)

3 years

6.0%

(2019: 5.9%)

IFRS profit after tax

€4.9m

(2019: €3.2m)[1]

Loan to value

30%

(2019: 29%)

1 Profit comparison to 2019 interim period reflects the six months to 31 March 2019.

Portfolio Overview – At a Glance

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

Sectors[1]

Office (47%) (2019: 47%)

The Company 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 established sub-markets of Paris, Hamburg and Stuttgart, where vacancy rates are modest, providing for above-average rental growth.

Industrial warehousing (20%) (2019: 20%)

The Company has 20% of its portfolio in the high growth warehouse and logistics sector. The Company's investments comprise both logistics and industrial warehousing, leased to a variety of tenants in manufacturing, services and third party logistics. All assets are in established warehouse locations such as Venray, Houten and Utrecht in The Netherlands and Rumilly and Rennes in France which benefit from supply constraints and rental growth prospects.

Retail (25%) (2019: 25%)

The Company's retail exposure consists of three urban retail assets (including one shopping centre) 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%) (2019: 8%)

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

1 Calculated on a proportional basis. Includes the Group's 50% share in the Seville property.

Top ten properties[1]

	Property	Sector	Value (€m) and percentage of portfolio (%)
1	Paris (B-B), France	Office	€41.6m (16.8%)
2	Paris (Saint-Cloud), France	Office	€40.0m (16.2%)
3	Berlin, Germany	Retail	€27.6m (11.2%)
4	Seville, Spain	Retail	€22.8m (9.2%)
5	Apeldoorn, Netherlands	Mixed	€20.0m (8.1%)
6	Rennes, France	Industrial	€18.3m (7.4%)
7	Stuttgart, Germany	Office	€17.8m (7.2%)
8	Hamburg, Germany	Office	€17.6m (7.1%)
9	Frankfurt, Germany	Retail	€11.5m (4.6%)
10	Venray, Netherlands	Industrial	€10.3m (4.1%)

Number of properties[1]

13

Valued at[1]

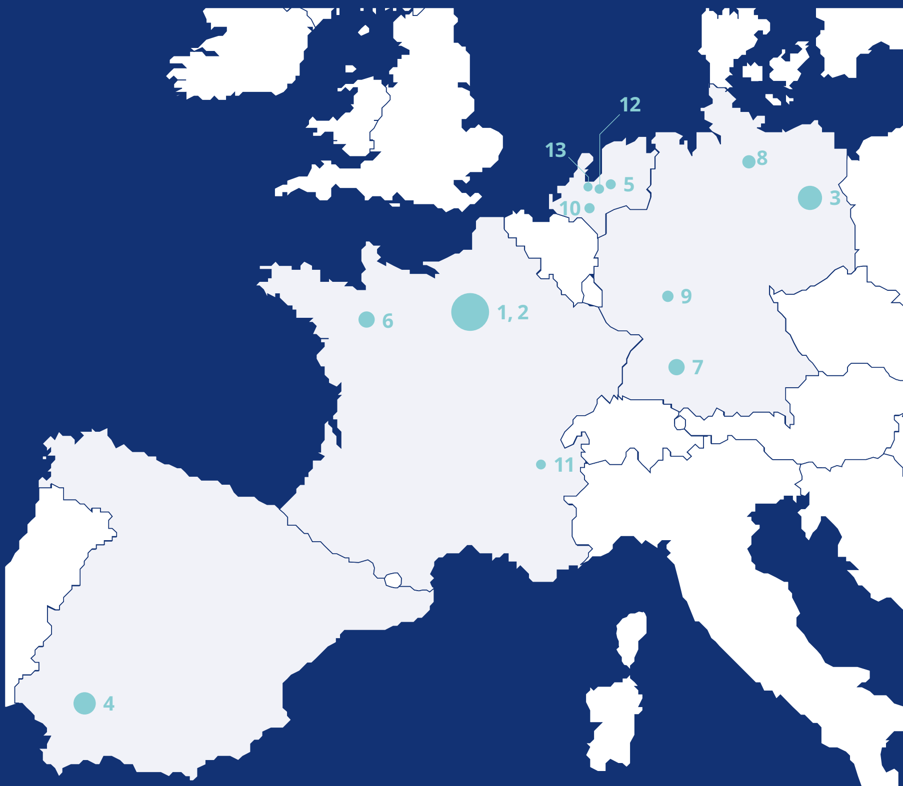
€247.3m

Number of tenants[1]

97

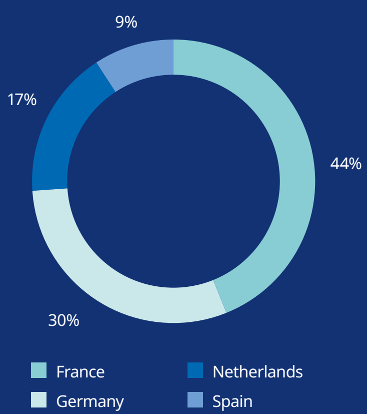
Occupancy[1]

95%

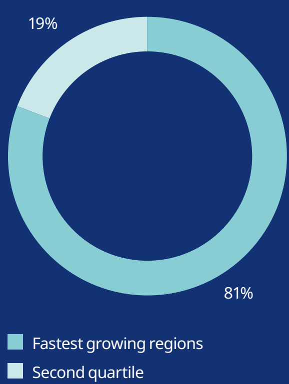


Remaining three properties as shown on map are:
11. Rumilly, France, Industrial
12. Houten, Netherlands, Industrial
13. Utrecht, Netherlands, Industrial

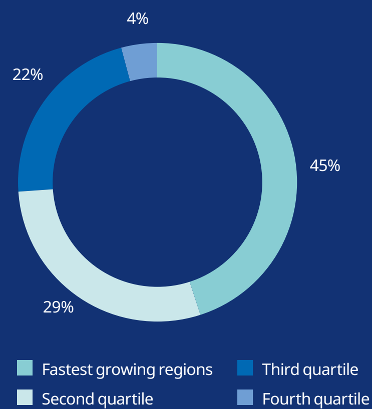
Portfolio country allocation[1]



% SEREIT capital value



% Investment universe capital value



1 Calculated on a proportional basis. Includes the Group's 50% share in the Seville property.

Performance Summary

Property performance[1]	31 March 2020	31 March 2019	30 September 2019
Value of property assets[2]	€247.3m	€239.9m	€242.7m
Annualised rental income	€17.2m	€17.2m	€17.1m
Estimated open market rental value	€18.0m	€17.7m	€17.9m
Underlying portfolio total return reporting period	4.0%	3.5%	7.7%
Underlying portfolio income return reporting period	3.1%	3.8%	7.2%

Financial summary	31 March 2020	31 March 2019	30 September 2019
NAV	€182.1m	€182.8m	€182.1m
NAV per ordinary share	136.2c	136.7c	136.2c
EPRA NAV	€185.2m	€183.7m	€183.7m
NAV total return (euro)	2.7%	1.7%	4.1%
IFRS profit after tax	€4.9m	€3.2m	€7.4m
EPRA earnings	€4.3m	€5.4m	€10.5m
Dividend cover	116%	108%	107%

Capital values	31 March 2020	31 March 2019	30 September 2019
Share price[3]	71.0 pps/ZAR 16.00	101.0 pps/ZAR 19.43	114.0 pps/ZAR 20.38
NAV per share	121.0 pps/ZAR 26.81	118.0 pps/ZAR 22.23	120.8 pps/ZAR 22.48
Share price discount to NAV GBP/ZAR	(41.3%)/(40.3%)	(14.2%)/(12.6%)	(5.6%)/(9.3%)

Earnings and dividends	31 March 2020	31 March 2019	30 September 2019
IFRS earnings[4]	3.7 cps	2.4 cps	5.6 cps
EPRA earnings	3.2 cps	4.0 cps	7.9 cps
Headline earnings	3.2 cps	4.0 cps	7.9 cps
Dividends declared	2.775 cps	3.7 cps	7.4 cps

Bank borrowings	31 March 2020	31 March 2019	30 September 2019
External bank debt (excluding costs)[5]	€80.7m	€73.0m	€73.0m
Loan to value ratio based on gross assets (and net of cash as per prospectus)	30% (27%)	28% (25%)	29% (26%)

Ongoing charges[6]	31 March 2020	31 March 2019	30 September 2019
Ongoing charges (fund operating expenses only)	2.16%	2.07%	1.96%
Ongoing charges (fund and property operating expenses)	2.95%	2.71%	2.69%

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 €22.8 million as at 31 March 2020.
3 pps refers to pence per share.
4 cps refers to Euro cents per share.
5 Includes the Group's 50% share of external debt in the Seville joint venture of €11.7 million and excludes unamortised finance costs of €0.9 million.
6 Ongoing charges are calculated in accordance with AIC recommended methodology as a percentage of average NAV over a given period.

Rennes, France

Chairman's Statement

Positioning the Company to withstand short-term uncertainty and generate long-term growth.

Overview

We expect 2020 to be a year of two halves. For the majority of the six month period to 31 March 2020, real estate markets and the economic backdrop were positive. We made progress with important asset management activity, such as advancing the planning for the Paris Boulogne-Billancourt refurbishment and reletting vacant space in Hamburg and Paris Saint-Cloud. During the interim period this has resulted in the valuation of the portfolio increasing and growth in contracted rental income.

However, the Covid-19 pandemic is likely to overshadow the remainder of the year. There is uncertainty over what the exact impact of this will be on economic activity. Real estate markets across Europe have suffered a significant decline in leasing and investment transactions. The key issue for real estate looking forward is the extent to which the lockdown and the subsequent mitigation period affects the real economy and consequently the security of the Company's underlying income streams and value of its assets. Since the outbreak, 84% of the portfolio's rent has been collected for the period April, May and June.

SEREIT is positioned to mitigate a near-term period of market volatility, with a diverse portfolio comprising of 13 assets across multiple countries, Winning Cities and sectors and around 100 tenants with exposure to a broad range of industries. Whilst a small number of assets, such as the Seville shopping centre, are likely to face stronger downward pressure on rents and value, we believe the majority of the portfolio is well positioned to generate long-term shareholder returns. The most immediate example of this is the Paris Boulogne-Billancourt office redevelopment, which has the potential to deliver NAV upside. The main focus for the remainder of the year will be to continue to position the Company to withstand the short-term uncertainty and generate long-term growth.

Strategy

The Company's strategy is built around three core pillars being: a focus on assets with strong fundamentals in Winning Cities and regions across Continental Europe; diversification across sectors and tenants; and execution of value-enhancing investment and asset management via on-the-ground European teams.

Winning Cities and regions such as Paris, Berlin and Frankfurt are characterised by themes such as broad-based economies and technological and infrastructure improvements. Whilst they will not be immune from the global economic slowdown, this should enable them to recover faster and thrive over the long term. The strategy to have a diverse portfolio not only improves the risk characteristics of the Company, but also provides opportunities to tactically allocate between different cities and sectors to potentially capitalise on changing investment fundamentals going forward.

Execution of the strategy is implemented by the real estate teams that the Investment Manager has located on the ground across eight key European markets, including Paris, Munich and Frankfurt. This local presence is key to being able to understand local dynamics and build relationships with tenants, which is increasingly important at times such as this. One of the main strategic focuses for the remainder of the year will be proactively working with our tenants to help manage their safety and wellbeing, alongside stabilising cash flows and protecting shareholders' long-term interests.

Financial results

The Company delivered stable financial results during the six month period. The net asset value ('NAV') includes a provision of €1.1 million relating to a percentage of the Group's internal loan for its 50% share of the Seville investment. IFRS 9 requires such a provision to be made, despite the value of the property as at 31 March 2020 being above the level of the cumulative external and internal loans made to the joint venture.

IFRS profit increased to €4.9 million compared to €3.2 million for the six months to March 2019, driven mainly by a €2.4 million increase in the portfolio valuation, net of capex. EPRA earnings were €4.3 million, compared to €5.4 million for the 2019 interim period which included a one-off €1.5 million surrender premium in 2019.

Balance sheet and debt

Total third party debt was €80.7 million as at 31 March 2020, representing a loan to value ('LTV') net of cash of approximately 27% against the overall gross asset value of the Company. The Company has seven loans secured by individual assets or groups of assets, with no cross-collateralisation between loans. The average weighted total interest rate of the loans is 1.4% per annum. The weighted average duration of the loans is 4.4 years, with the earliest loan maturity in 2023. All loans are in compliance with their default covenants, though there is a cash trap in operation for the Seville loan. More detail of the individual loans is provided in the Investment Manager's Report.

The Company is currently considering funding options for its Paris Boulogne-Billancourt office investment, where an agreement for a new lease with Alten has been concluded in return for a comprehensive refurbishment of the asset. This has the potential to deliver NAV upside for the Company. The main funding options include a forward funding/ forward sale and taking additional debt.

Dividend
In April 2020 the Company paid a first interim dividend in respect of the year ending 30 September 2020 of 1.85 euro cents per share. In light of the ongoing market uncertainty, the Board has reduced the next quarterly dividend to 0.925 euro cents per share, equating to 50% of the target dividend level.

In implementing the dividend strategy, the Board considered the rent collection and cash position of the Company, alongside market conditions, current asset management activity and the longer term sustainable rental income from the portfolio. By retaining additional cash at this time, the Company will be better positioned to withstand the impact of Covid-19 on the portfolio. The dividend will be kept under close review as clarity improves around the extent of the impacts of Covid-19, including on future rental receipts, property values and asset management initiatives.

The second interim dividend in respect of the year ending 30 September 2020 of 0.925 euro cents per share is payable on 31 July 2020 to shareholders on the register at 17 July 2020.

Responsible and impact investment
Environmental, Social and Governance ('ESG') considerations are an increasingly important focus. During 2019, the Company secured its first GRESB Benchmark Green Star in recognition of the portfolio's sustainability performance. The annual GRESB Benchmark assesses governance as well as implementation of relevant initiatives and, encouragingly, the Company improved its rating on both measures. The Investment Manager is also focused on ensuring that its activities deliver a positive social impact, illustrated in the Investment Manager's Report by the collaborative working approach with the local community in Seville and recent Covid-19 assistance.

Outlook
We are in a period of unprecedented uncertainty, and our expectation is that we will continue to face economic headwinds for the foreseeable future. Our priorities are to seek to mitigate the impact of this on the portfolio as much as possible, whilst also advancing opportunities to grow long-term income and value. Having a diverse portfolio of properties and tenants, focused on Winning Cities and regions, and managed by local teams, positions us well to pursue this strategy.

Sir Julian Berney Bt.
Chairman

23 June 2020

1 Includes the Group's 50% share of external debt in the Seville joint venture of €11.7 million and excludes unamortised finance costs of €0.9 million.

Investment Manager's Report

Focus on growing net income and improving the portfolio's defensive characteristics.

Results

The NAV as at 31 March 2020 stood at €182.1 million (£161.8 million), or 136.2 euro cents (121.0 pence) per share, achieving a NAV total return of 2.7% over the six months to 31 March 2020.

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.

NAV movement	€m[1]	Cps[2]	% change per cps[3]
Brought forward as at 1 October 2019	**182.1**	**136.2**	**–**
Capital expenditure	(2.2)	(1.6)	(1.2)
Unrealised gain in valuation of the real estate portfolio	4.6	3.4	2.5
Provision of internal loan made to Seville Joint Venture	(1.1)	(0.8)	(0.5)
EPRA earnings[4]	4.3	3.2	2.3
Non-cash/capital items	(0.6)	(0.5)	(0.4)
Dividends paid	(5.0)	(3.7)	(2.7)
Carried forward as at 31 March 2020	**182.1**	**136.2**	**0.0**

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 2019.
4 EPRA earnings as reconciled on page 29 of the financial statements.

Strategy

The strategy over the period remained focused on the following key objectives:
- Executing asset management initiatives to enhance both the long-term rental profile and individual asset values;
- Improving the Company's net income profile to support a sustainable dividend; and
- Managing portfolio risk in order to enhance the portfolio's defensive qualities.

Progress has been made in executing the strategy and activity over the period, which has delivered:
- Converting a heads of terms to a signed conditional lease with Alten for a ten year commitment in the Company's largest asset at Boulogne-Billancourt, Paris;
- Advanced planning, detail design, construction tender and financing of the Alten refurbishment;
- Concluded five new leases and re-gears (excluding Alten), generating a 16% increase in annualised income relative to previous rent at a weighted lease term of 4.4 years;
- Improved sustainability rating at the Company's Hamburg office asset with the certification of BREEAM in use;
- Portfolio real estate total return of 4.0% over six months with the majority from income; and
- A prudent loan to value ('LTV') of 27%, net of cash.

Covid-19 impact

The portfolio's diversification benefits have positioned the Company favourably in dealing with Covid-19. Comprising 13 assets, approximately 100 tenants across a range of industries and a strong bias towards office, industrial and a data centre uses has created a platform for positive rent collection and valuation resilience. The more immediate Covid-19 impact has been as follows:
- At the time of reporting, 84% of portfolio rents had been collected for the period April to June.
- Metromar Shopping Centre, Seville (50% interest): this asset represents 9% of the portfolio value and 11% of income. The centre was forced to close (save for the supermarket) from 14 March 2020 and re-opened on a conditional basis on 25 May 2020. The strategy is focused on working with centre management and tenants to implement a re-opening plan that creates a safe environment for tenants and consumers. It is inevitable that consumers will be reticent to congregate in public spaces, particularly leisure-related businesses. As such, we anticipate vacancy rates increasing and rent recoverability remaining under pressure until the centre re-stabilises.
- Boulogne-Billancourt, Paris: this asset represents 17% of the portfolio value and 14% of income. It is the Company's largest investment, leased to engineering and technology consulting specialist Alten. As previously announced, the Company has been working on a value-enhancing asset management initiative to refurbish the building on the basis of a new ten year lease to Alten, who remain committed. Covid-19 has delayed the planning application and therefore the delivery of the initiative by approximately three months.
- Tenant rent relief: outside of the Seville investment, approximately ten tenants (representing 7% of income) have requested cash flow assistance. We continue to work with these tenants to agree payments plans/rent deferral and/or amendments to lease terms.
- Direct impact measures for the wider community, customers and management including setting up a blood transfusion centre in Metromar, donating the shopping centre's PPE supplies to the local hospital and formulating a strategic management plan for the re-opening of the centre on 25 May 2020 to facilitate social distancing best practice.

Market overview

Economic outlook

The lockdowns imposed by most European governments in mid-March to slow the spread of the coronavirus have pushed the Eurozone into recession. Several European countries have started to ease restrictions at the end of April and in early May, but much will depend on how quickly businesses and consumers resume activity. Coming out of the lockdowns is not easy and many restrictions to control and limit the renewed spreading of the virus (which have so far proved efficient) will remain in place. While high-frequency indicators show that activity is returning, it seems somewhat slower than anticipated. Consumers remain cautious and the ongoing uncertainty weighs on business investment. Latest data for China and the US is also suggesting a sharper decline in economic output than previously anticipated. As such, the Investment Manager's house view is turning from a V-shaped recovery scenario to a U-shaped forecast with activity to increase again in the second half of the year, but at a slower pace than originally anticipated. The full impact of the crisis will depend on whether the huge package of tax breaks, loan guarantees and compensation for short-time working announced by the EU and by national governments succeed in keeping businesses afloat. If they fail and there is a wave of insolvencies, then unemployment will be permanently higher and the recession will be deeper and longer.

Offices

Office take-up in Europe Q1'20 was c.30% lower compared to Q1'19, but the full impact of the crisis is likely to only be reflected in the Q2 and Q3 numbers. However, initial data suggests the office sector is relatively well positioned versus other traditional real estate. In many cities, vacancy was very low at the end of 2019, so office markets are well placed to cope with a demand shock. Furthermore, a lot of office occupiers have been able to maintain operations by asking staff to work from home. The weak spot is serviced/flexible offices, which saw significant drops in usage or had to close. As such, some providers will come under pressure, particularly those that are paying high rents, which will accelerate a consolidation of the market. On the supply side, Q1'20 vacancy rates were mostly flat. Should the number of bankruptcies go up or occupiers scale back their requirements, vacancy is likely to increase in the coming months, further exacerbated as schemes currently under construction will still complete this year and next. Yet, the current crisis is also reducing supply volumes after 2021, as developers will hold back on starting new schemes and banks will be reluctant to provide financing. Overall, rental growth will be much lower or flat.

Retail

Although the lockdown measures have affected all commercial real estate, the biggest impact has been on the retail sector (and leisure and hotels). With the exception of Sweden, all restaurants, bars and leisure venues were closed and the only stores which remained open were banks, post offices, food stores and pharmacies. The lockdowns have given a boost to internet sales and while part of the shift will reverse as stores re-open, not all of it will and the structural change to online shopping has most likely accelerated. Some non-food retailers have deferred paying rent and, despite government support and the flexibility of landlords, a number of non-food retailers will fail, particularly those mid-market brands which were already struggling financially before Covid-19. Supermarkets, convenience stores and big box units are likely to be more defensive than shopping centres and department stores.

Logistics/industrial

In the industrial/logistics sector, the boost from higher online sales is positive, but must be put in context. The vast majority of warehouses are occupied by manufacturers and non-food retailers and logistics operators and their businesses have been seriously disrupted by the virus. All big car manufacturers have suspended most of their production and container traffic at European ports has dropped by 20-30% compared with the first quarter of 2019. In addition, on the supply side, a significant amount of speculative space was under construction before the lockdowns and it is unlikely to let quickly, once completed. Consequently, warehouse rents in Continental Europe could come under pressure in 2020, before stabilising in 2021. The demand for industrial manufacturing use is likely to increase as manufacturers look at diversifying their supply chains from Asia and include a proportion of local manufacturing (on-shoring).

Real estate portfolio

The Group owns a portfolio of 13 institutional grade properties valued at €247.3 million[1] as at 31 March 2020. The properties are 95% 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:

Rank	Property	Country	Sector	€m	% of total
1	Paris (B-B)[2]	France	Office	41.6	17
2	Paris (S-C)[3]	France	Office	40.0	16
3	Berlin	Germany	Retail	27.6	11
4	Seville[1]	Spain	Retail	22.8	9
5	Apeldoorn	Netherlands	Mixed	20.0	8
6	Rennes	France	Industrial	18.3	7
7	Stuttgart	Germany	Office	17.8	7
8	Hamburg	Germany	Office	17.6	7
9	Frankfurt	Germany	Retail	11.5	5
10	Venray	Netherlands	Industrial	10.3	4
Top ten properties				**227.5**	**92**
11–13	Remaining three properties	Netherlands/France	Industrial	19.8	8
Total				**247.3**	**100**

1 Includes the Group's 50% share in the Seville property proportionally valued at €22.8 million as at 31 March 2020.
2 B-B refers to Boulogne-Billancourt.
3 S-C refers to Saint-Cloud.

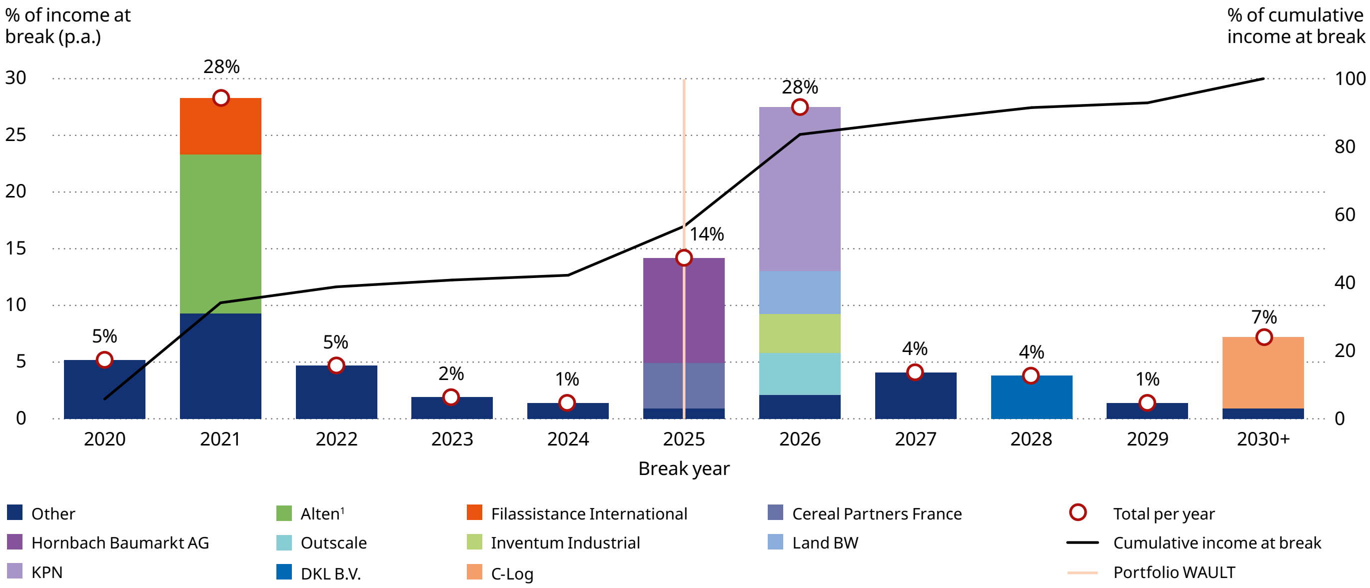
Investment Manager's Report continued

The table below sets out the top ten tenants, which are from a diverse range of industry segments and represent 68% of the portfolio:

Rank	Tenant	Industry	Property	Contracted rent €m	Contracted rent % of total	WAULT break (yrs)	WAULT expiry (yrs)
1	KPN	Telecom	Apeldoorn	2.5	15	6.8	6.8
2	Alten	Engineering services	Paris (B-B)	2.4	14	1.0	1.0
3	Hornbach	DIY	Berlin	1.6	9	5.8	5.8
4	C-Log	Logistics	Rennes	1.1	6	10.9	10.9
5	Filassistance	Insurance	Paris (S-C)	0.9	5	1.8	6.8
6	Cereal Partners France	Consumer staples	Rumilly	0.7	4	5.1	6.1
7	DKL	Logistics	Venray	0.7	4	8.5	8.5
8	Land BW	Government	Stuttgart	0.7	4	6.3	6.3
9	Outscale	IT	Paris (S-C)	0.6	4	6.0	9.0
10	Inventum Industrial	Manufacturing	Houten	0.6	3	6.2	6.2
Total top ten tenants				**11.8**	**68**	**5.3**	**5.9**
Remaining tenants				5.4	32	3.5	6.2
Total				**17.2**	**100**	**4.8**	**6.0**

The portfolio generates €17.2 million p.a. in contracted income. The average unexpired lease term is 4.8 years to first break and 6.0 years to expiry.

The lease expiry profile to earliest break is shown below. 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.



1 Alten have signed a new ten year conditional lease.

Portfolio performance

The current portfolio value of €247.3 million reflects an increase of 11% (€24.7 million) compared to the combined purchase price. Transaction costs have been fully recovered through valuation uplifts since acquisition.

Over the last 12 months, the underlying property portfolio generated a total property return of 8.3%. Hereof, the portfolio income return amounted to 6.6% and the portfolio capital return to 1.7% (net of capex).

Over the six months of the current financial year to 31 March 2020, the underlying property portfolio generated a total property return of 4.0%.

The strongest contributors to portfolio performance during the last six months were Paris Saint-Cloud (7.1%), Rennes (7.2%), Apeldoorn (6.0%) and Rumilly (7.5%). Paris Saint-Cloud is a high-yielding property which also delivered good valuation performance driven by favourable leasing activity. Rennes and Rumilly, both industrial properties, performed well led by rental value growth and positive yield re-rating. The Apeldoorn property is over-rented and as such a high-yielding property. Despite the over-rent and declining remaining lease term, property values held up well, assisted by improving land value and investment markets.

The Seville property was the main detractor from performance, delivering a -0.7% total return.

Asset management

Boulogne-Billancourt Paris (office)

Asset overview
6,800 sqm office building located in an established mixed-use area in Paris' Western Crescent.

Asset strategy
Repositioning opportunity regarding an office investment let off modest rents and located in a supply constrained location with competing demands for uses. Opportunity to add further floorspace and dramatically improve the building quality and energy efficiency.

Key activity
- Signed conditional ten year lease agreement with Alten, who has re-confirmed its current commitment despite Covid-19 uncertainties.
- Submitted planning approval pertaining to an extensive office refurbishment to Grade-A specification.
- Advanced detail design and tender pricing discussions.
- Improved title by dissolving co-ownership encumbrance that was existing with neighbour.
- Advanced funding options for the project, potentially including some form of forward sale to de-risk the investment.

Asset management

TriTowers Hamburg (office)

Asset overview
7,003 sqm office buildings located in Hamburg's Centre South office sub-market, one stop from the city centre. This region continues to evolve through improvements in retail, residential and office accommodation and is favoured by public and private occupiers. Currently 72% occupied.

Asset strategy
Acquired fully occupied and leased off sustainable rents. Asset management initiative centred around negotiating a lease surrender with the main tenant (70% of building) subject to a payment of €3.9 million.

Key activity
- Additional leasing of 670 sqm resulting in 60% of the surrendered space and taking total occupancy to 72%. Contracts have been concluded at rents 17% above target and an average unexpired lease term of six years.
- Covid-19 restrictions have delayed additional leasing opportunities.
- Commenced sustainability action plan and green building certification submitted for BREEAM in use – good.

Investment Manager's Report continued

Finance

As at 31 March 2020, the Group's total external debt was €80.7 million, across seven loan facilities. This represents a loan to value ('LTV') of 30% against the Group's gross asset value. Net of cash, the Group's LTV is 27%. There is a net of cash LTV cap of 35% that restricts concluding new external loans if the Group's net LTV is above 35%. An increase in leverage above 35% as a result of valuation decline is excluded from this cap.

During the period, the loan on the Saint-Cloud office building in Paris was increased by €4 million to €17 million and a new 3.5 year loan of €3.7 million was also taken against the Rumilly logistics asset in France. The additional loans were drawn mainly to fund capital expenditure across the portfolio.

The current blended all-in interest rate is 1.4%, significantly below the portfolio yield of 5.8% p.a., providing a favourable yield gap. The average unexpired loan term is 4.4 years.

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

Lender	Property	Maturity date	Outstanding principal[1]	Interest rate	Headroom LTV default covenant (% decline)	Headroom net income default covenant (% decline)
BRED Banque Populaire	Paris (S-C)	15/12/2024	€17.00m	3M Eur +1.33%	-25%	-28%
Deutsche Pfandbriefbank	Berlin/Frankfurt	30/06/2026	€16.50m	1.31%	-33%	-40%
Deutsche Pfandbriefbank	Stuttgart/Hamburg	30/06/2023	€14.00m	0.85%	-37%	-15%
Münchener Hypothekenbank[1]	Seville (50%)	22/05/2024	€11.68m	1.76%	-17%	No default covenant, but currently in cash trap
HSBC	Utrecht, Venray, Houten	27/09/2023	€9.25m	3M Eur +2.15%	-36%	-64%
Saar LB	Rennes	28/03/2024	€8.60m	3M Eur +1.40%	-24%	-73%
Saar LB	Rumilly	30/04/2023	€3.70m	3M Eur +1.30%	-28%	-72%
Total			**€80.73m**			

1 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.

For the Seville shopping centre, a reduction in rental income has resulted in a requirement under the loan to retain all excess income generated by the Seville property in the property-owning special purpose vehicle. This position will continue until the rental income increases sufficiently to meet the level required under the loan. There is 17% valuation decline headroom before breaching the default LTV covenant.

The Berlin/Frankfurt and Hamburg/Stuttgart loans also have cash trap covenants (in addition to the above default covenants) relating to income. The headroom for net income decline in respect of these is 29% for Berlin/Frankfurt and 1.5% for Hamburg/Stuttgart, which will increase as the vacant space at the Hamburg property is relet.

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 three-month Euribor. The Group has acquired interest rate caps to limit future potential interest costs if Euribor were to increase. The strike rates on the interest rate caps are between 0.25% p.a. and 1.25% p.a.

The Company is currently considering funding options for the refurbishment of the Paris Boulogne-Billancourt property. One option may include drawing additional debt to fund the refurbishment, which would increase the Company's overall LTV level and potentially requires shareholder approval to temporarily increase the Company's LTV cap.

Responsible investing with impact

The Board and the Investment Manager believe corporate social responsibility is key to long-term future business success. A successful sustainable investment programme should deliver enhanced returns to investors, improved business performance to occupiers and deliver tangible positive impacts to local communities, the environment and wider society.

The Investment Manager's sustainability programme is continually evolving, reflecting progression with industry sustainability targets, available technologies and the regulatory environment. Our programme looks to continually improve the sustainability credentials of the Company's portfolio. In 2019, the Company's work was recognised with the achievement of a Green Star in the annual Global Real Estate Sustainability Benchmark survey. The Investment Manager is evolving its investment philosophy to incorporate impact investing at the heart of its investment management activities. Impact investing involves proactively taking action to improve social and environmental outcomes. The Investment Manager has identified four pillars of impact and mapped these to the UN Sustainable Development Goals.

We are working to understand the opportunities and deliver positive impact through our activities within the built environment to communities and the environment. In relation to the environment, positive action is needed as the built environment is generally accepted to be responsible for 40% of global carbon emissions. In recognition of the role and responsibilities of the real estate industry and property owners, the Investment Manager signed the Better Buildings Partnership Climate Commitment in September 2019. This initiative supports the drive to net zero carbon in buildings and the first stage of this is to set out our pathway to net zero in 2020. This commitment is a natural extension of the Investment Manager's sustainability programme which includes targets to reduce energy consumption and greenhouse gas emissions. Please refer to the Company's Annual Sustainability Report for more information on the sustainability strategy. We will report on the Company's progress with this impact programme in the Annual Report.

Outlook

The outlook for real estate markets remains uncertain. The impacts of Covid-19 have yet to fully play out and the depth and recovery of global GDP cannot be predicted with any confidence. Over the period, the SEREIT portfolio has stood up well, underpinned by our tenant and sector diversity that has led to favourable rent collection rates and valuation resilience. We continue to believe that the portfolio's weighting towards Continental European 'Winning Cities' like Paris, Berlin, Frankfurt and Hamburg will be beneficial to its future performance and liquidity.

The activity during the interim period focused on asset management. In particular, the advancement of a value-enhancing initiative to refurbish the Company's largest investment in Boulogne-Billancourt, Paris wherein the sitting tenant, Alten, have signed a long-term conditional lease commitment. This is a good example of using local expertise to create value through things we can control. This will continue to be a key element of SEREIT's ability to deliver long-term capital and income growth to shareholders.

Schroder Real Estate Investment Management Limited
23 June 2020

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 and 28 of the Company's published Annual Report and Consolidated Financial Statements for the year ended 30 September 2019.

The emergence of coronavirus (Covid-19) in Continental Europe has heightened some of these risks, in particular, economic and property market risk, valuation risk, gearing and leverage risk, and service provider risk.

Insofar as Covid-19 has impacted the economic and property market, the Investment Manager is in close contact with property managers and tenants with an immediate focus on rent collection, reducing risk and implementing new property management procedures to ensure tenants and consumers can return safely to properties.

The Covid-19 pandemic has also increased the risk profile of the refurbishment of Boulogne-Billancourt, in particular, the Company's ability to commit to a construction contract, to fulfil the conditions of the lease agreed with the sitting tenant, and to obtain funding (either through forward funding or debt). We have made good progress over the period in mitigating these key risks.

In respect of the impact on valuations, as is the case in the property sector as a whole, the Company's valuers have advised they "can attach less weight to previous market evidence for comparison purposes, to inform opinions of value" and have applied a material uncertainty clause to the Company's valuations, which remains in place as at the date of this Report. Having regard to its diverse portfolio of assets and asset management initiatives, the board considers that the valuation of its properties should be able to withstand downward pressure arising from Covid-19 in the long term. However, in line with the valuers' recommendation, valuations will continue to be kept under regular review.

In terms of gearing and leverage, the risk of increased vacancy as a result of Covid-19 and also the potential downward pressure on values could heighten the risk of breaching net rental income covenants and Loan to Value covenants in individual loan agreements. There is currently headroom on all default covenants, but the Seville Shopping Centre asset is currently in cash trap under the terms of the loan for that property. Gearing covenants are being monitored closely and an open dialogue with lenders is being maintained.

Covid-19 also affected the Company's service providers, including the Investment Manager, who have implemented business continuity plans and are working almost entirely remotely. The board continues to monitor the Company's major service providers and has not seen, and does not anticipate, a fall in the level of service it receives.

The principal risks and uncertainties have not materially changed during the six months ended 31 March 2020, except for the risks associated with Covid-19 as outlined above which are expected to continue for the foreseeable future.

Going concern

Following the emergence and spread of Covid-19, and government regulations presented in March 2020, businesses have restricted employee travel for work and some tenants have had to temporarily close operations. There are no comparable recent events which may provide guidance as to the effect of the spread of Covid-19 and a potential pandemic, and, as a result, the ultimate impact of the Covid-19 outbreak or a similar health epidemic is highly uncertain and subject to change. As a result of this, the independent property valuer, Knight Frank LLP, has issued a material uncertainty clause for the March 2020 valuation of the assets.

The Directors have examined significant areas of possible financial risk including: the non-collection of rent and service charges, potential falls in valuations, the refurbishment of Boulogne-Billancourt, the review of cash flow forecasts and have analysed forward-looking compliance with third party debt covenants, in particular the loan to value covenant and interest cover ratios.

As at 31 March 2020, 97% of the March quarter rents were collected. At the time of reporting, 84% of rents had been collected post period end for the quarter April, May and June 2020. Further details are provided under 'Covid-19 impact' in the Investment Manager's Report on page 10. Rent collection is being closely monitored by the Investment Manager.

Cash flow forecasts based on plausible downside scenarios, including the anticipated impact of Covid-19 and the risks associated with the Boulogne-Billancourt refurbishment, has led the Board to conclude that the Group will have sufficient cash reserves to continue in operation for the foreseeable future.

The Company has seven loans secured by individual assets or groups of assets, with no cross-collateralisation. All loans are in compliance with their default covenants, though there is a cash trap in operation for the Seville loan. More detail of the individual loans and headroom on the loan to value and net income default covenants is provided in the Investment Manager's report on page 14.

Having assessed the principal risks and uncertainties, and the other matters discussed in connection with the viability statement as set out on page 29 of the published Annual Report and Consolidated Financial Statements for the year ended 30 September 2019, 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 2020. Related party transactions are disclosed in note 14 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

23 June 2020

Condensed Consolidated Interim Statement of Comprehensive Income

For the period ended 31 March 2020

	Notes	**Six months to 31 March 2020 €000 (unaudited)**	Six months to 31 March 2019 €000 (unaudited)	Year to 30 September 2019 €000 (audited)
Rental and service charge income	2	**9,859**	8,945	18,667
Other income	3	**–**	1,500	1,500
Property operating expenses		**(2,794)**	(2,423)	(4,807)
Net rental and related income		**7,065**	**8,022**	**15,360**
Net gain/(loss) from fair value adjustment on investment property	4	**2,907**	(1,566)	3,530
Realised (loss)/gain on foreign exchange		**(6)**	4	6
Net change in fair value of financial instruments at fair value through profit or loss	5	**6**	(200)	(304)
Provision of internal loan made to Seville joint venture	6	**(1,097)**	–	–
Dividends received from joint venture	7	**–**	–	93
Expenses				
Investment management fee	14	**(969)**	(947)	(1,904)
Valuers' and other professional fees		**(481)**	(494)	(953)
Administrator's and accounting fees		**(178)**	(165)	(342)
Auditors' remuneration		**(205)**	(191)	(356)
Directors' fees	14	**(73)**	(72)	(142)
Other expenses		**(197)**	(129)	(183)
Total expenses		**(2,103)**	**(1,998)**	**(3,880)**
Operating profit		**6,772**	**4,262**	**14,805**
Finance income		**227**	226	452
Finance costs		**(570)**	(402)	(906)
Net finance costs		**(343)**	**(176)**	**(454)**
Share of loss of joint venture	7	**(684)**	(71)	(3,369)
Profit before taxation		**5,745**	**4,015**	**10,982**
Taxation	8	**(785)**	(818)	(3,527)
Profit after taxation		**4,960**	**3,197**	**7,455**
Basic and diluted earnings per share attributable to owners of the parent	9	**3.7c**	2.4c	5.6c
Profit for the period/year		**4,960**	3,197	7,455
Other comprehensive income:				
Other comprehensive loss items that may be reclassified to profit or loss:				
Currency translation differences		**(21)**	(6)	(15)
Total other comprehensive loss		**(21)**	**(6)**	**(15)**
Total comprehensive income for the period/year		**4,939**	**3,191**	**7,440**

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 2020

	Notes	**Six months to 31 March 2020 €000 (unaudited)**	Year to 30 September 2019 €000 (audited)	Six months to 31 March 2019 €000 (unaudited)
Assets				
Non-current assets				
Investment property	4	**224,143**	218,896	213,174
Investment in joint venture	7	**1,694**	2,378	6,626
Loan to joint venture	6	**8,980**	10,035	10,035
Non-current assets		**234,817**	**231,309**	**229,835**
Current assets				
Trade and other receivables		**8,172**	6,341	5,773
Interest rate derivative contracts	5	**48**	17	121
Cash and cash equivalents		**18,535**	16,053	15,166
Current assets		**26,755**	**22,411**	**21,060**
Total assets		**261,572**	**253,720**	**250,895**
Equity				
Share capital		**15,050**	15,080	15,540
Share premium		**29,984**	30,043	30,959
Retained earnings		**4,442**	4,430	5,120
Other reserves		**132,602**	132,534	131,167
Total equity		**182,078**	**182,087**	**182,786**
Liabilities				
Non-current liabilities				
Interest-bearing loans and borrowings	10	**68,293**	60,692	60,506
Deferred tax liability	8	**1,900**	1,521	1,061
Non-current liabilities		**70,193**	**62,213**	**61,567**
Current liabilities				
Trade and other payables		**8,994**	8,967	5,619
Current tax liabilities	8	**307**	453	923
Current liabilities		**9,301**	**9,420**	**6,542**
Total liabilities		**79,494**	**71,633**	**68,109**
Total equity and liabilities		**261,572**	**253,720**	**250,895**
Net asset value per ordinary share	12	**136.2c**	136.2c	136.7c

The condensed consolidated interim financial statements on pages 16–28 were approved at a meeting of the Board of Directors held on 23 June 2020 and signed on its behalf by:

Sir Julian Berney Bt.
Chairman

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

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

Condensed Consolidated Interim Statement of Changes in Equity

For the period ended 31 March 2020

	Notes	Share capital €000	Share premium €000	Retained earnings €000	Other reserves €000	Total equity €000
Balance as at 1 October 2019		15,080	30,043	4,430	132,534	182,087
Profit for the period		–	–	4,960	–	4,960
Other comprehensive loss for the period		–	–	–	(21)	(21)
Dividends paid	13	–	–	(4,948)	–	(4,948)
Unrealised foreign exchange		(30)	(59)	–	89	–
Balance as at 31 March 2020 (unaudited)		**15,050**	**29,984**	**4,442**	**132,602**	**182,078**

	Notes	Share capital €000	Share premium €000	Retained earnings €000	Other reserves €000	Total equity €000
Balance as at 1 October 2018		15,015	29,912	4,397	132,745	182,069
Profit for the year		–	–	7,455	–	7,455
Other comprehensive loss for the year		–	–	–	(15)	(15)
Dividends paid	13	–	–	(7,422)	–	(7,422)
Unrealised foreign exchange		65	131	–	(196)	–
Balance as at 30 September 2019 (audited)		**15,080**	**30,043**	**4,430**	**132,534**	**182,087**

	Notes	Share capital €000	Share premium €000	Retained earnings €000	Other reserves €000	Total equity €000
Balance as at 1 October 2018		15,015	29,912	4,397	132,745	182,069
Profit for the period		–	–	3,197	–	3,197
Other comprehensive loss for the period		–	–	–	(6)	(6)
Dividends paid	13	–	–	(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**

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 2020

	Notes	**Six months to 31 March 2020 €000 (unaudited)**	Six months to 31 March 2019 €000 (unaudited)	Year to 30 September 2019 €000 (audited)
Operating activities				
Profit before tax for the period/year		**5,745**	4,015	10,982
Adjustments for:				
Net (gain)/loss from fair value adjustment on investment property	4	**(2,907)**	1,566	(3,530)
Share of loss of joint venture	7	**684**	71	3,369
Realised foreign exchange loss/(gain)		**6**	(4)	(6)
Finance income		**(227)**	(226)	(452)
Finance costs		**570**	402	906
Net change in fair value of financial instruments at fair value through profit or loss	5	**(6)**	200	304
Provision of internal loan made to Seville joint venture	6	**1,097**	–	–
Dividends received from joint venture	7	**–**	–	(93)
Operating cash generated before changes in working capital		**4,962**	**6,024**	**11,480**
(Increase)/decrease in trade and other receivables		**(1,648)**	6,761	6,308
(Decrease)/increase in trade and other payables		**(494)**	259	3,909
Cash generated from operations		**2,820**	**13,044**	**21,697**
Finance costs paid		**(813)**	(569)	(1,027)
Finance income received		**226**	226	452
Tax paid	8	**(552)**	(373)	(3,092)
Net cash generated from operating activities		**1,681**	**12,328**	**18,030**
Investing activities				
Acquisition of investment property		**–**	(18,013)	(18,281)
Additions to investment property		**(1,900)**	(878)	(1,513)
Investment in joint venture		**–**	–	950
Dividends received from joint venture	7	**–**	–	93
Net cash used in investing activities		**(1,900)**	**(18,891)**	**(18,751)**
Financing activities				
Proceeds from borrowings	10	**7,700**	8,600	8,600
Interest rate cap purchased	5	**(25)**	(133)	(133)
Dividends paid	13	**(4,948)**	(2,474)	(7,422)
Net cash generated from financing activities		**2,727**	**5,993**	**1,045**
Net increase/(decrease) in cash and cash equivalents for the period/year		**2,508**	**(570)**	**324**
Opening cash and cash equivalents		**16,053**	**15,738**	**15,738**
Effects of exchange rate change on cash		**(26)**	(2)	(9)
Closing cash and cash equivalents		**18,535**	**15,166**	**16,053**

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 2020 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 2019 were approved by the Board of Directors on 6 December 2019 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 2019. 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 2019. The consolidated financial statements for the year ended 30 September 2019 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.

Going concern

Following the emergence and spread of Covid-19, and government regulations presented in March 2020, businesses have restricted employee travel for work and some tenants have had to temporarily close operations. There are no comparable recent events which may provide guidance as to the effect of the spread of Covid-19 and a potential pandemic and, as a result, the ultimate impact of the Covid-19 outbreak or a similar health epidemic is highly uncertain and subject to change. As a result of this, the independent property valuer, Knight Frank LLP, has issued a material uncertainty clause for the March 2020 valuation of the assets.

The Directors have examined significant areas of possible financial risk including: the non-collection of rent and service charges, potential falls in valuations, the refurbishment of Boulogne-Billancourt, the review of cash flow forecasts and have analysed forward-looking compliance with third party debt covenants, in particular the loan to value covenant and interest cover ratios.

As at 31 March 2020, 97% of the March quarter rents were collected. At the time of reporting, 84% of rents had been collected post period end for the quarter April, May and June 2020. Further details are provided under 'Covid-19 impact' in the Investment Manager's Report on page 10. Rent collection is being closely monitored by the Investment Manager.

Cash flow forecasts based on plausible downside scenarios, including the anticipated impact of Covid-19 and the risks associated with the Boulogne-Billancourt refurbishment, has led the Board to conclude that the Group will have sufficient cash reserves to continue in operation for the foreseeable future.

The Company has seven loans secured by individual assets or groups of assets, with no cross-collateralisation. All loans are in compliance with their default covenants, though there is a cash trap in operation for the Seville loan. More detail of the individual loans and headroom on the loan to value and net income default covenants is provided in the Investment Manager's report on page 14.

After due consideration, the Directors have not identified any material uncertainties which would cast significant doubt on the Group's ability to continue as a going concern for a period of not less than 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.

1. Significant accounting policies continued

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.

The external valuer has included a material valuation uncertainty clause in their report as of 31 March 2020. The clause highlights significant estimation uncertainty regarding the valuation of investment property due to the Covid-19 pandemic. The valuations as at the current balance sheet date should therefore be treated with additional caution. Sensitivity analysis is included within note 4.

Another significant estimate is the IFRS 9 expected credit loss. IFRS 9 became effective for accounting periods of entities beginning on or after 1 January 2018 and requires an impairment review to be made for certain financial assets held on a Group's balance sheet using a forward-looking expected credit loss model. All inter-company and joint venture loans are considered to be such financial assets and must therefore be assessed at each reporting period for potential impairment. Where any impairment is required to be made, appropriate recognition is required in the Statement of Comprehensive Income together with appropriate disclosure in the notes to the accounts (see note 6).

The following factors and inputs were considered in determining the impairment provision made to the joint venture loan: property valuation; NAV of the joint venture; cash held to pay unpaid interest; lockdown measures and easing thereof; rent collections and concessions; compliance with debt covenants and headroom thereof; key leasing activity post the interim period date; collaboration of the third party lender to release cash trapped to aid asset management initiatives; stress tests and cash flow forecasts.

Another key area of judgement is tax provisioning and disclosure. Management use external tax advisers to monitor changes to tax laws in countries where the Group has operations. New tax laws that have been substantively enacted are recognised in the Group's financial statements. Where changes to tax laws give rise to a contingent liability the Group discloses these appropriately within the notes to the financial statements.

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 financial risk profile of the Group has been heightened since the end of the last annual financial reporting period for the year ended 30 September 2019, due to the outbreak of the Covid-19 virus.

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

Credit risk and market risk are the two that have been most affected by Covid-19.

Credit risk

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

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

Market risk

While it is possible to identify the real estate sectors most exposed over the short term to the outbreak of the Covid-19 pandemic, there is no clear way to identify how significant the downside risks will be and what the ultimate impact on real estate valuations will be and therefore the external valuer has included a 'materiality valuation uncertainty' clause as stated in note 4. The sensitivity of the market value of the investment properties to changes in the equivalent yield is also disclosed in note 4 of the financial statements.

New standards and interpretations adopted by the Group

IFRS 16 – Leases

The Group adopted IFRS 16 Leases on 1 October 2019. As a result, the Group reports its service charge income separately from its rental income (see note 2). There has been no material impact to the Group's net income or on the Group's balance sheet.

Notes to the Financial Statements continued

2. Rental and service charge income

	Six months to 31 March 2020 €000 (unaudited)	Six months to 31 March 2019 €000 (unaudited)	Year to 30 September 2019 €000 (audited)
Rental income	**7,563**	6,976	14,691
Service charge income	**2,296**	1,969	3,976
Total	**9,859**	**8,945**	**18,667**

3. Other income

Other income for the 31 March 2020 interim period is nil. Other income of €1,500,000 received in the 31 March 2019 interim period, and included in the consolidated financial statements for the year ended 30 September 2019, relates to a lease surrender premium agreement pursuant to the Company's Hamburg office asset in Germany.

4. Investment property

	Freehold €000
Fair value 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**
Additions	626
Net valuation gain on investment property	5,096
Fair value as at 30 September 2019 (audited)	**218,896**
Additions	2,340
Net valuation gain on investment property	2,907
Fair value as at 31 March 2020 (unaudited)	**224,143**

The fair value of investment properties, as determined by the valuer, totals €224,500,000 (30 September 2019: €219,200,000) 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 €224,500,000 includes a tenant incentive adjustment of €357,000 (30 September 2019: €304,000).

Due to the spread of the Novel Coronavirus (Covid-19), the Group's valuer has included the following 'Material valuation uncertainty' clause in its valuation report as at 31 March 2020:

"The outbreak of the Novel Coronavirus (Covid-19), declared by the World Health Organization as a 'Global Pandemic' on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. In Europe, market activity is being impacted in all sectors.

As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to Covid-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Consequently, less certainty and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that Covid-19 might have on the real estate market, we recommend that you keep the valuation of this portfolio under frequent review."

The fair value of investment property has been determined by Knight Frank LLP, a firm of independent chartered surveyors, who are registered independent appraisers. The valuations have been undertaken in accordance with the current edition of the RICS Valuation – Global Standards, which incorporate the International Valuation Standards. References to the 'Red Book' refer to either or both of these documents, as applicable.

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

4. Investment property continued

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

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

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

Quantitative information about fair value measurement using unobservable inputs (Level 3) as at 31 March 2020 (unaudited)

		Industrial	Retail (including retail warehouse)	Office	**Total**
Fair value (€000)		48,450	84,650	137,000	**270,100**[3]
Area ('000 sq. m)		68.821	44.365	60.434	**173.620**
Net passing rent € per sq. m per annum	Range	40.39–101.11	94.73–141.07	76.07–358.22	**40.39–358.22**
	Weighted average[2]	49.01	106.10	196.79	**141.86**
Gross ERV € per sq. m per annum	Range	38.00–89.40	101.58–182.60	79.93–419.91	**38.00–419.91**
	Weighted average[2]	49.12	152.85	241.26	**179.09**
Net initial yield[1]	Range	5.43–7.61	4.79–5.24	2.52–11.82	**2.52–11.82**
	Weighted average[2]	6.19	4.96	5.94	**5.68**
Equivalent yield	Range	5.25–6.81	5.05–6.45	4.05–10.60	**4.05–10.60**
	Weighted average[2]	6.04	5.94	6.05	**6.01**

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 €45.6 million which is disclosed within the summarised information within note 7 as part of total assets.

Quantitative information about fair value measurement using unobservable inputs (Level 3) as at 30 September 2019 (audited)

		Industrial	Retail (including retail warehouse)	Office	Total
Fair value (€000)		47,450	85,350	133,400	266,200[3]
Area ('000 sq. m)		68.806	44.365	60.433	173.604
Net passing rent € per sq. m per annum	Range	39.78–99.84	94.73–141.07	61.78–355.86	39.78–355.86
	Weighted average[2]	48.70	105.55	193.91	139.70
Gross ERV € per sq. m per annum	Range	38.00–89.40	101.58–184.47	79.76–419.91	38.00–419.91
	Weighted average[2]	48.46	154.78	241.33	179.20
Net initial yield[1]	Range	5.64–7.45	4.70–5.38	2.13–11.52	2.13–11.52
	Weighted average[2]	6.28	4.96	5.92	5.68
Equivalent yield	Range	5.50–7.00	5.10–6.48	4.10–10.44	4.10–10.44
	Weighted average[2]	6.11	6.02	6.04	6.05

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 €47.0 million which is disclosed within the summarised information within note 7 as part of total assets.

Notes to the Financial Statements continued

4. Investment property continued

Sensitivity of measurement to variations in the significant unobservable inputs

In light of the 'material valuation uncertainty', management have reviewed the ranges used in assessing the impact of changes in unobservable inputs on the fair value of the Group's property portfolio. Whilst the property valuation reflects the external valuers assessment of the impact of Covid-19 at the valuation date, we consider +/-10% for ERV, and +/-50bps for NIY to capture the increased uncertainty in these key valuation assumptions. The results of this analysis are detailed in the sensitivity table below.

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

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

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

Estimated movement in fair value of investment properties at 31 March 2020 (unaudited)	Industrial €000	Retail €000	Office €000	Total €000
Increase in ERV by 10%	3,000	6,400	12,250	21,650
Decrease in ERV by 10%	(3,050)	(6,200)	(12,400)	(21,650)
Increase in net initial yield by 0.5%	(3,650)	(7,300)	(11,300)	(22,250)
Decrease in net initial yield by 0.5%	4,600	8,050	13,050	25,700

Estimated movement in fair value of investment properties at 30 September 2019 (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 Group obtained a further €4.0 million from the existing loan facility on 24 October 2019 and purchased a second interest rate cap for €13,000. Both interest rate caps are 1.25% with a floating rate option being Euribor 3 months. As at 31 March 2020, the fair value of the interest rate caps was €20,000 (2019: €10,000), giving a valuation decrease as shown within the statement of comprehensive income of €3,000.

An interest rate cap was 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. As at 31 March 2020, the fair value of the interest rate cap was €3,000 (2019: €3,000), giving a movement in the statement of comprehensive income of €nil.

On 27 March 2019, the Group entered into an interest rate cap purchased for €46,000 from Landesbank Saar in connection to 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. As at 31 March 2020, the fair value of the interest rate cap was €22,000 (2019: €4,000), giving a valuation increase as shown in the statement of comprehensive income of €19,000.

During the period, the Group entered into an interest rate cap which was purchased for €12,000 from Landesbank Saar in connection to a €3.7 million loan facility drawn from the same bank with a maturity date of 30 April 2023. The interest rate cap is 0.25% with a floating rate option being Euribor 3 months. As at 31 March 2020, the fair value of the interest rate cap was €3,000, giving a valuation decrease as shown in the statement of comprehensive income of €10,000.

In line with IFRS 9, all derivatives are reported in the consolidated financial statements at their fair value. Transaction costs incurred in obtaining the instruments are amortised over the period of the above-mentioned loans.

6. Provision of internal loan made to Seville joint venture
As at 31 March 2020, the Group had made an internal loan to the Seville joint venture of €10.0m. This loan carries a fixed interest rate of 4.37% per annum payable quarterly and matures in April 2024.

During the financial period an impairment of €1,056,000 was made against this loan balance and a further €41,000 was made against unpaid loan interest thereby totalling €1,097,000. The use of significant estimates and judgements in note 1 sets out the requirements of IFRS 9 in this regard and the key factors considered by management. A credit risk rating of "B" was considered most appropriate and this resulted in a c.11% impairment. Management considered that a risk rating of one above on the credit risk scale would have resulted in a c.3% impairment provision and a credit risk rating of one below would have resulted in a c.21% impairment position. These percentages fall each year as the loan nears its maturity date. Management continues to monitor the position closely.

7. 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 2020 €000
Balance as at 1 October 2019 (audited)	**2,378**
Share of loss for the period	**(684)**
Balance as at 31 March 2020 (unaudited)	**1,694**

	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**

	30 September 2019 €000
Balance as at 1 October 2018 (audited)	**6,697**
Share premium repayment	(950)
Share of loss for the year	(3,276)
Dividends	(93)
Balance as at 30 September 2019 (audited)	**2,378**

Summarised joint venture financial information:	**31 March 2020 €000 (unaudited)**	31 March 2019 €000 (unaudited)	30 September 2019 €000 (audited)
Total assets	**49,262**	58,861	50,078
Total liabilities	**(45,874)**	(45,609)	(45,322)
Net assets	**3,388**	13,252	4,756
Net asset value attributable to the Group	**1,694**	6,626	2,378

	Six months to 31 March 2020 €000 (unaudited)	Six months to 31 March 2019 €000 (unaudited)	Year to 30 September 2019 €000 (audited)
Revenues	**2,488**	2,826	5,359
Total comprehensive loss	**(1,369)**	(142)	(6,552)
Total comprehensive loss attributable to the Group	**(684)**	(71)	(3,276)

Notes to the Financial Statements continued

8. Taxation

	Six months to 31 March 2020 €000 (unaudited)	Six months to 31 March 2019 €000 (unaudited)	Year to 30 September 2019 €000 (audited)
Current tax charge	**406**	669	2,918
Deferred tax charge	**379**	149	609
Tax expense in period/year	**785**	818	3,527

	Current tax liability €000	Deferred tax liability €000
As at 1 October 2019 (audited)	**453**	**1,521**
Tax charge for the period	406	379
Tax paid during the period	(552)	–
Balance as at 31 March 2020 (unaudited)	**307**	**1,900**

	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 2018 (audited)	**627**	**912**
Tax charge for the period	2,918	609
Tax paid during the period	(3,092)	–
Balance as at 30 September 2019 (audited)	**453**	**1,521**

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 incompatible with European Union State Aid rules, to the extent that profits derive from activities performed within the UK. The Group benefits from this exemption in respect of SEREIT (Jersey) Limited which provides financing to other Group companies. The Group has undertaken a review with its advisers and does not consider that a provision is currently required as a consequence of the ruling.

9. Basic and diluted earnings per share

The basic and diluted earnings per share for the Group are based on the net profit for the period, excluding currency translation differences, of €4,960,000 (six months to 31 March 2019: €3,197,000, for the year ended 30 September 2019: €7,455,000) and the weighted average number of ordinary shares in issue during the period of 133,734,686 (six months to 31 March 2019: 133,734,686, for the year ended 30 September 2019: 133,734,686).

10. Interest-bearing loans and borrowings

	Six months to 31 March 2020 €000
As at 1 October 2019 (audited)	**60,692**
Drawdown of borrowings	**7,700**
Capitalisation of finance costs	**(170)**
Amortisation of finance costs	**71**
As at 31 March 2020 (unaudited)	**68,293**

	Year to 30 September 2019 €000
As at 1 October 2018 (audited)	**52,150**
Receipt of borrowings	8,600
Capitalisation of finance costs	(181)
Amortisation of finance costs	123
As at 30 September 2019 (audited)	**60,692**

	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**

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

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

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

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

11. Issued capital and reserves

As at 31 March 2020, 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.

12. NAV per ordinary share

The NAV per ordinary share is based on the net assets at 31 March 2020 of €182,078,000 (30 September 2019: €182,087,000; 31 March 2019: €182,786,000) and 133,734,686 ordinary shares in issue at 31 March 2020 (30 September 2019: 133,734,686; 31 March 2019: 133,734,686).

Notes to the Financial Statements continued

13. Dividends paid

Six months ended 31 March 2020 (unaudited)	**Number of ordinary shares**	**Rate (cents)**	**€000**
Interim dividend paid on 21 October 2019	133,734,686	1.85	2,474
Interim dividend paid on 27 January 2020	133,734,686	1.85	2,474
Total interim dividends paid			**4,948**

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

Year ended 30 September 2019 (audited)	Number of ordinary shares	Rate (cents)	€000
Interim dividend paid on 25 January 2019	133,734,686	1.85	2,474
Interim dividend paid on 12 April 2019	133,734,686	1.85	2,474
Interim dividend paid on 22 July 2019	133,734,686	1.85	2,474
Total interim dividends paid			**7,422**

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

The Investment Manager is entitled to a fee, together with reasonable expenses, incurred in the performance of its duties. The fee is payable monthly in arrears and shall be an amount equal to one-twelfth of the aggregate of 1.1% of the EPRA NAV of the Company. The Investment Management Agreement can be terminated by either party on not less than 12 months' written notice, such notice not to expire earlier than the third anniversary of admission, or on immediate notice in the event of certain breaches of its terms or the insolvency of either party. The total charge to profit and loss during the period was €969,000 (year ended 30 September 2019: €1,904,000, six months ended 31 March 2019: €947,000). At 31 March 2020, €143,000 was outstanding (year ended 30 September 2019: €140,000, six months ended 31 March 2019: €140,000).

The Directors are the only officers of the Company and there are no other key personnel. The Directors' remuneration for services to the Group for the six months ended 31 March 2020 was €64,251 (six months ended 31 March 2019: €63,208, year ended 30 September 2019: €125,742), equivalent to £55,000. Each of the three Directors held 10,000 shares in the company as at 31 March 2020. Following the period end, Sir Julian Berney Bt. purchased 9,840 additional shares and Jonathan Thompson purchased 15,469 additional shares.

15. Capital commitments
At 31 March 2020, the Group had capital commitments of €2,791,000 (30 September 2019: €2,031,000, 31 March 2019: €821,000).

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

EPRA and Headline Performance Measures

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

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

	Six months to 31 March 2020 €000 (unaudited)	Six months to 31 March 2019 €000 (unaudited)	Year to 30 September 2019 €000 (audited)
Total IFRS comprehensive income	**4,939**	3,191	7,440
Adjustments to calculate EPRA earnings:			
Net (gain)/loss from fair value adjustment on investment property	**(2,907)**	1,566	(3,530)
Currency translation differences (unrealised)	**21**	6	15
Share of joint venture loss on investment property	**731**	264	3,713
Deferred tax	**379**	149	609
Current tax – restructuring	**93**	–	1,997
Net change in fair value of financial instruments	**(6)**	200	304
Provision of internal loan made to Seville joint venture (excluding interest)	**1,056**	–	–
EPRA earnings	**4,306**	**5,376**	**10,548**
Weighted average number of ordinary shares	**133,734,686**	133,734,686	133,734,686
IFRS earnings and diluted earnings (cents per share)	**3.7**	**2.4**	**5.6**
EPRA earnings per share (cents per share)	**3.2**	**4.0**	**7.9**

b. EPRA NAV per share
Represents the NAV adjusted to exclude assets or liabilities not expected to crystallise in a long-term investment property model, divided by the number of shares in issue.

	Six months to 31 March 2020 €000 (unaudited)	Six months to 31 March 2019 €000 (unaudited)	Year to 30 September 2019 €000 (audited)
IFRS Group NAV per financial statements	**182,078**	182,786	182,087
Deferred tax	**1,900**	1,062	1,521
Adjustment for fair value of financial instruments	**(48)**	(121)	(17)
Adjustment in respect of provision of internal loan made to Seville joint venture	**1,097**	–	–
Adjustment in respect of joint venture deferred tax	**134**	–	134
EPRA NAV	**185,161**	**183,727**	**183,725**
Shares in issue at end of year	**133,734,686**	133,734,686	133,734,686
IFRS Group NAV per share (cents per share)	**136.2**	**136.7**	**136.2**
EPRA NAV per share (cents per share)	**138.5**	**137.4**	**137.4**

EPRA and Headline Performance Measures continued

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

	Six months to 31 March 2020 €000 (unaudited)	Six months to 31 March 2019 €000 (unaudited)	Year to 30 September 2019 €000 (audited)
Total IFRS comprehensive income	**4,939**	3,191	7,440
Adjustments to calculate Headline earnings exclude:			
Net valuation (profit)/loss on investment property	**(2,907)**	1,566	(3,530)
Share of joint venture loss on investment property	**731**	264	3,713
Deferred tax	**379**	149	609
Current tax – restructuring	**93**	–	1,997
Net change in fair value of financial instruments	**(6)**	200	304
Provision of internal loan made to Seville joint venture (excluding interest)	**1,056**	–	–
Headline earnings	**4,285**	**5,370**	**10,533**
Weighted average number of ordinary shares	**133,734,686**	133,734,686	133,734,686
Headline and diluted headline earnings per share (cents per share)	**3.2**	**4.0**	**7.9**

Independent Review Report to Schroder European Real Estate Investment Trust plc

Report on the Condensed Consolidated Interim Financial statements

Our conclusion

We have reviewed Schroder European Real Estate Investment Trust plc's condensed consolidated interim financial statements (the "interim financial statements") in the Half Year Report and Condensed Consolidated Interim Financial Statements of Schroder European Real Estate Investment Trust plc for the 6 month period ended 31 March 2020. 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.

Emphasis of matter – significant estimation uncertainty in investment properties' valuation

In forming our conclusion on the interim financial statements, which is not modified, we have considered the adequacy of the disclosures made in notes 1 (Significant accounting policies – use of estimates and judgments) and 4 (investment property) to the interim financial statements. These notes explain that there is significant estimation uncertainty in relation to the valuation of investment properties of €224.1m included in the statement of financial position as at 31 March 2020. The third party valuers engaged by management have included a material valuation uncertainty clause in their report. This clause highlights that less certainty, and consequently a higher degree of caution, should be attached to the valuation as a result of the Covid-19 pandemic.

What we have reviewed

The interim financial statements comprise:
- the Condensed Consolidated Interim Statement of Financial Position as at 31 March 2020;
- 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
23 June 2020

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.
EPRA	is the European Public Real Estate Association.
EPRA earnings	represents the net income generated from the operational activities of the Group. It excludes all capital components not relevant to the underlying net income performance of the portfolio, such as the realised and unrealised fair value gains or losses on investment properties, and debt instruments, and unrealised gains or losses on currency translation.
EPRA NAV	is EPRA net asset value and includes the fair value adjustments in respect of all material balance sheet items.
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.
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 ratio ('ICR')	is the number of times net interest payable is covered by 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.
Listing rules	means the listing rules made by the FCA under Part VII of the UK Financial Services and Markets Act 2000, as amended.
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.
NAV total return	is calculated taking into account the timing of dividends, share buybacks and issuance.
Net asset value ('NAV')	is the value of total assets minus total liabilities.
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

Directors
Sir Julian Berney Bt.
Jonathan Thompson
Mark Patterson

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

Registered Office
1 London Wall Place
London EC2Y 5AU

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

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

Auditor
PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT

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

Tax Advisers
Deloitte LLP
1 New Street Square
London EC4A 3HQ

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

Joint Sponsor and Brokers
London:
Numis Securities Limited
10 Paternoster Square
London EC4M 7LT

South Africa:
PSG Capital
1st Floor, OU Kollege
35 Kerk Street
Stellenbosch 7600

Transfer Secretary
Computershare Investor Services (Pty) Limited
PO Box 61051
Marshall Town
2107
South Africa

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

Shareholder Helpline
0800 032 0641[1]

Website: www.shareview.co.uk

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

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

Legal Entity Identifier (LEI) –
549300BHT1Z8NI4RLD52

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

Designed and produced by emperor
Visit us at emperor.works

Schroders

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

schroders.com

@schroders