Schroders

Schroder Real Estate Investment Trust Limited

Interim Report and Consolidated Financial Statements

For the period 1 April 2018 to 30 September 2018

Schroder Real Estate Investment Trust Limited ('SREIT') aims to provide shareholders with an attractive level of income together with the potential for income and capital growth through investing in UK commercial real estate.

Company Summary

Schroder Real Estate Investment Trust Limited (the 'Company' and together with its subsidiaries the 'Group') is a real estate investment company with a premium listing on the Official List of the UK Listing Authority and whose shares are traded on the Main Market of the London Stock Exchange (ticker: SREI).

On 1 May 2015 the Company converted to a real estate investment trust ('REIT') in order to benefit from the various tax advantages offered by the UK REIT regime as well as the potential for improved liquidity as a result of being able to access a wider shareholder base. The Company continues to be declared as an authorised closed-ended investment scheme by the Guernsey Financial Services Commission under section 8 of the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended and the Authorised Closed-ended Collective Investment Schemes Rules 2008.

Objective
The Company aims to provide shareholders with an attractive level of income and the potential for income and capital growth as a result of its investments in, and active management of, a diversified portfolio of UK commercial real estate. Successful execution of the investment strategy will enable a progressive dividend policy to be adopted over time.

The portfolio is principally invested in the three main UK commercial real estate sectors of office, industrial and retail, and may also invest in other sectors including, but not limited to, residential, leisure, healthcare and student accommodation. Over the real estate market cycle the portfolio aims to generate an above average income return with a diverse spread of lease expiries.

A conservative level of gearing is used to enhance income and total returns for shareholders with the level dependent on the property cycle and the outlook for future returns.

Investment strategy
The current investment strategy is to grow income and enhance shareholder returns through a disciplined approach to acquisitions, pro-active asset management and selling smaller, lower yielding properties on completion of asset business plans. The issuance of new shares will also be considered if it is consistent with the strategy.

Our objective is to own a portfolio of larger properties in Winning Cities and Regions with high growth diversified local economies, sustainable occupational demand and favourable supply and demand characteristics. These properties should offer good long-term fundamentals in terms of location and specification and be let at affordable rents with the potential for income and capital growth from good stock selection and asset management.

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Highlights over the six months to 30 September 2018

- Completed two debt financings that reduced interest cost from 4.4% to 4.0% and the average loan term to approximately nine years
- Acquired offices in Edinburgh and Nottingham at a net initial yield of 6.7%, supporting the Company's strategy to invest in assets with strong fundamentals
- 5% dividend increase with effect from 1 October 2018

Net asset value ('NAV')

£357.7m

Increase in NAV per share

0.8 pps

NAV total return of

3.0%

Underlying property portfolio total return of

4.5%

Dividend cover of

107%

Loan to value of

29.2%

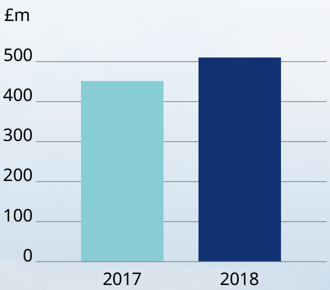
Property Performance
Over the six months to 30 September 2018

Portfolio

Value of 46 property assets

£509.4m[1]

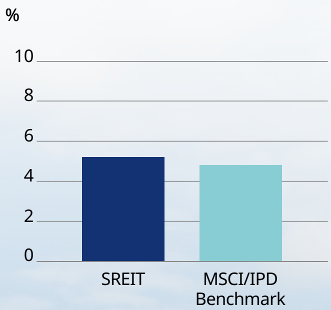
(2017: £451.7 million)



Net initial yield

5.2%

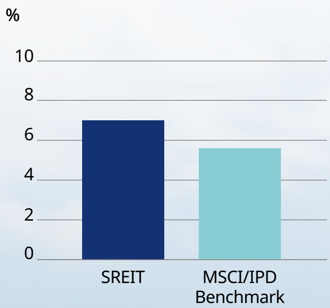
(MSCI/IPD Benchmark: 4.8%)[2]



Reversionary income yield

7.0%

(MSCI/IPD Benchmark: 5.6%)[2]

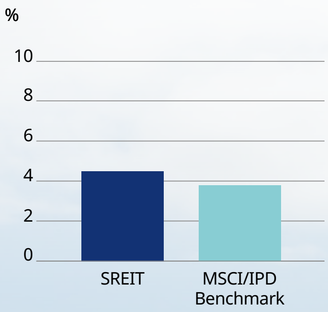


Portfolio return

Six months

4.5% **over the last 6 months**

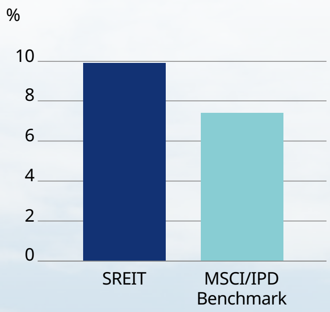
(MSCI/IPD Benchmark: 3.8%)[2]



Three years

9.9% **p.a.**

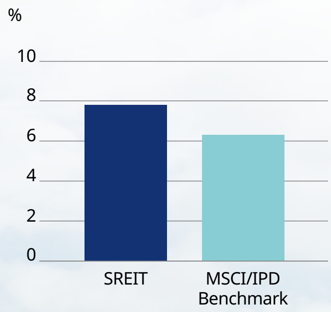
(MSCI/IPD Benchmark: 7.4% p.a.)[2]



Since IPO

7.8% **p.a.**

(MSCI/IPD Benchmark: 6.3% p.a.)[2]



1 Includes transactions which unconditionally exchanged, but did not complete prior to year end.
2 Source: Morgan Stanley Capital International (MSCI) Quarterly Version of Balanced Monthly Index Funds including joint venture investments on a like-for-like basis as at 30 September 2018.

Performance Summary

Financial summary	30 September 2018	30 September 2017	31 March 2018
NAV[1]	**£357.7m**	£340.6m	£353.6m
NAV per Ordinary Share (pence)[1]	**69.0**	65.7	68.2
European Public Real Estate Association ('EPRA') NAV	**£357.7m**	£340.6m	£353.6m

1 NAV is calculated using International Financial Reporting Standards.

Capital values	Six months to 30 September 2018	Six months to 30 September 2017	Year to 31 March 2018
NAV total return	**3.0%**	4.5%	10.5%
Profit for the period	**£10.6m**	£14.5m	£33.8m
EPRA earnings	**£3.9m**	£7.5m	£12.5m
Adjusted EPRA earnings[1]	**£7.1m**	£7.5m	£14.1m

1 Adjusted for one-off refinancing costs.

Share price and index	30 September 2018	30 September 2017	31 March 2018
Share price (pence)	**59.9**	61.5	58.8
Share price discount to NAV	**(13.2%)**	(6.4%)	(13.8%)
FTSE All Share Index	**4,127.91**	4,049.89	3,894.17
FTSE EPRA/NAREIT UK Real Estate Index	**1,731.76**	1,734.15	1,770.93

Earnings and dividends	Six months to 30 September 2018	Six months to 30 September 2017	Year to 31 March 2018
Earnings per share (pence)	**2.0**	2.8	6.5
EPRA earnings per share (pence)	**0.8**	1.4	2.4
Adjusted EPRA earnings per share (pence)[1]	**1.4**	1.4	2.7
Dividends paid per share (pence)	**1.24**	1.24	2.48
Annualised dividend yield on 30 September/31 March share price[2]	**4.1%**	4.0%	4.2%

1 Adjusted for one-off refinancing costs.
2 Based on the dividends paid during the period.

Bank borrowings	30 September 2018	30 September 2017	31 March 2018
On-balance sheet borrowings[1]	**£160.1m**	£150.1m	£150.1m
Loan to value ratio, net of all cash[2]	**29.2%**	27.2%	25.3%

1 On-balance sheet borrowings reflects the loan facility with Canada Life and RBS, without deduction of finance costs.
2 Cash excludes rent deposits and floats held with managing agents.

Ongoing charges	Six months to 30 September 2018	Six months to 30 September 2017	Year to 31 March 2018
Ongoing charges (including fund only expenses)[1]	**0.5%**	0.6%	1.2%
Ongoing charges (including fund and property expenses)[2]	**1.0%**	1.1%	2.2%

1 Fund only expenses excludes all property operating expenses, valuers' and professional fees in relation to properties.
2 Ongoing charges calculated in accordance with AIC recommended methodology, as a percentage of average NAV during the year. The ongoing charges exclude all exceptional costs incurred during the period.

Chairman's Statement

Well-positioned with a high-quality diversified portfolio

Overview

The six month period to September 2018 saw a high level of activity for the Company including two debt refinancings, two acquisitions and the completion of a number of asset management initiatives. These actions enabled the Company to announce a stepped 5% dividend increase. The Company's net asset value ('NAV') over the period increased by 0.8 pence per share ('pps') or 1.2% which, combined with dividends paid, resulted in a NAV total return of 3.0%. This includes one-off costs of £3.1 million or 0.6 pps associated with the refinancing activity that extended the Company's loan terms. The new facility capitalised on current low interest rates and provided additional capacity to facilitate the accretive acquisitions. Dividend cover over the period was 107%.

Asset management activity improved the portfolio's defensive qualities and contributed to an underlying income return over the period of 2.8% compared with the MSCI/IPD Benchmark of 2.3%. The Company's underlying total return, including acquisition costs, of 4.5% compares with the MSCI/IPD Benchmark at 3.8%. The portfolio has now consistently outperformed the MSCI/IPD Benchmark by an average of 1.4% per annum ('p.a.') since inception in 2004.

Strategy

The Company has a disciplined strategy focused on growing net income, reducing risk and increasing exposure to Winning Cities, those that are expected to generate higher and more sustainable levels of economic growth.

Although average values continued to increase across the UK real estate market, the rate of growth is slowing with increasing polarisation between sectors. The greatest pressure is in the retail sector due to structural trends with consumer spend on-line and retailer failure. In contrast, the same structural trends are creating unprecedented levels of investor and occupier demand for industrial assets.

The refinancing and acquisitions, which completed part way through the period, generated additional net income to support the dividend increase. In addition, the manager has made good progress delivering on key asset management initiatives across the portfolio. These included a 10 year lease extension to BUPA Insurance Services Ltd ('BUPA') in Brighton alongside a more flexible leasing policy at multi-let industrial estates to capture additional rental growth. This has been particularly successful at the industrial estates in Milton Keynes and Leeds.

A reduction in the Company's retail weighting to 27% of value and a focus on assets offering convenience at affordable rents has also limited exposure to risk in the retail sector.

The strategy implemented over the past few years has resulted in 95% of the portfolio by value being located in cities or towns expected to benefit from above average GDP growth (Source: Oxford Economics). At a sector level, the Company should benefit from having higher weightings in the regional office and industrial markets and no exposure to shopping centres and offices in the City of London. Further planned disposals of low yielding assets may also help manage the late cycle risks and prepare the Company for investment into assets offering higher prospective returns.

Debt

The refinancing activity included extending a portion of the Canada Life debt and increasing the revolving credit facility ('RCF') with Royal Bank of Scotland ('RBS').

The extension with Canada Life followed a detailed review of how to capture current low interest rates through restructuring the fixed rate facility. This was achieved by extending 20% of the loan for five years to 2028. This is the same maturity as the remaining 80% of the loan. This loan tranche previously had an interest rate of 4.77% that was reduced to 3.1% resulting in an interest saving of approximately £435,000 p.a.

The RBS RCF, previously due to mature in July 2019, was extended to 2023 with additional capacity added of £12 million. This facility extension, together with existing cash, was used to acquire two office assets in Edinburgh and Nottingham for £21 million which reflected a net initial yield of 6.7%.

The Company's two loan facilities now total £160 million with an average duration of 8.6 years and an average interest cost of 4.0%, hedged against movement in interest rates. The loan to value ratio, net of cash, is 29%, which is within the long-term target range of 25% to 35%. The refinancing activity resulted in one-off costs totalling £3.1 million in the period.

Outlook

The UK real estate market has continued to deliver attractive levels of income and total returns despite growing political and economic risk. Looking forward, these risks combined with the late stage in the market cycle means we are more cautious about the outlook and may look to realise some of the capital gains across the portfolio.

The Company is well positioned in this environment due to its high-quality, diversified portfolio, a high income return, stable balance sheet and potential to enhance income and value from ongoing asset management initiatives.

Lorraine Baldry
Chairman
Schroder Real Estate Investment Trust Limited

12 November 2018

Investment Manager's Report

Our strategy is based on investing in strong fundamentals

The Company's Net Asset Value ('NAV') as at 30 September 2018 was £357.7 million or 69.0 pence per share ('pps') compared with £353.6 million or 68.2 pps as at 31 March 2018. This reflected an increase of 0.8 pps or 1.2%, with the underlying movement in NAV set out in the table below:

	Pence per share
NAV as at 31 March 2018	68.2
Unrealised change in valuation of direct investment property portfolio	2.1
Capital expenditure	(0.5)
Unrealised loss on joint ventures	(0.1)
Net revenue	1.4
Dividends paid	(1.3)
Others[1]	(0.8)
NAV as at 30 September 2018	69.0

1 Includes one-off refinancing costs of 0.6 pps.

The NAV increase was driven by a 1.6% increase in the value of the underlying portfolio which, adjusted for capital expenditure, contributed 1.5 pps to the NAV. Excluding exceptional refinancing costs, net earnings for the interim period year totalled 1.4 pps which reflects a dividend cover of 107%. The NAV total return for the interim period to September 2018 was 3.0%.

Market overview

UK commercial real estate capital values continued to increase over the interim period to September 2018 with the MSCI/IPD Benchmark producing an average 3.8% total return for commercial real estate. This included an income return of 2.3%. This performance continues to mask the divergence of the sectors with capital values in the main commercial markets performing very differently.

The retail market continues to be the most challenging. During 2018 a number of retailers and restaurants have fallen into administration, or entered into a company voluntary arrangement ('CVA'), and other profitable chains are closing stores. More than 4,000 units have been affected and 1 in 8 high street units are vacant. The internet's share of total retail sales has jumped from 5% in 2008 to 17% and is expected to grow significantly. Retail rents in most locations are likely to fall over the next couple of years. The impact is most acute on secondary retail assets, while prime and convenience retail assets are likely to be more resilient. The Company's portfolio is not immune from the difficulties being experienced by many occupiers in the retail sector and strategies to mitigate and reduce this risk are being implemented.

By contrast, rents for warehousing in the year to August rose by 6% in London and the South East and by 3% in the rest of the country.[1] In part, this reflects that manufacturing is still an important driver of warehouse demand in the Midlands and the North, despite the boost from online retail. It may also reflect the greater loss of industrial estates to housing in the South. We expect smaller warehousing/multi-let industrial estates, including our estates in Leeds and Milton Keynes to outperform, as rents remain relatively low and there is limited new supply with growing demand.

The regional office sector is well placed to weather a potential slowdown in the economy. In many UK cities, demand and supply dynamics are being positively impacted by only modest growth in development and ongoing conversions of secondary offices into residential. As a result, we expect office rents in regional cities to remain resilient. We delivered a number of favourable leasing events across the portfolio, including a 14% rental uplift on the regear with BUPA at Brighton and a 32% uplift on a rent review at Cheltenham. In contrast, in the City of London the total amount of office space is expected to increase by around 7% over the three years to end-2020.[2]

While many schemes are pre-let, a lot of second-hand space will become vacant once occupiers move and we expect City office rents to decrease. This will have a knock on effect on the West End and Inner London, although rental levels should be more defensive given low supply and robust demand from a diverse occupier base.

A challenge for the Company is to focus on fundamentals and ensure that the portfolio remains well placed with a diverse exposure. There are increasing concerns about the economic and market cycles. The late nature of the real estate cycle requires the manager to be vigilant.

Strategy

The strategy over the period focused on:

- Winning Cities experiencing higher levels of GDP, employment and population growth;
- Increasing net income through transactions and active management;
- Increasing exposure to assets and sectors with strong fundamentals;
- Managing portfolio risk in order to enhance the portfolio's defensive qualities;
- Reducing the cost of debt and extending the length of the facility; and
- Realising gains from sales which enables us to grow earnings.

Progress executing the strategy and activity over the interim period delivered the following:

- 95% of the portfolio being located in higher growth cities and towns;[3]
- Offices in Edinburgh and Nottingham acquired in August 2018;
- Investment into Rest of UK offices and UK warehousing which we expect to outperform;
- Asset management initiatives completed and ongoing across office, industrial and retail assets, including Bedford, Brighton, Manchester, Nottingham and Swindon;
- A portfolio level income return of 5.2% compared with 4.8% for the MSCI/IPD Benchmark, and a reversionary income yield of 7.0% compared with 5.6% for the MSCI/IPD Benchmark;
- Reducing portfolio void rate of 6.0% and maintaining the average unexpired lease term of 6.2 years, assuming all tenant breaks are exercised at the earliest opportunity; and
- Debt refinancings completed to reduce the Company's interest costs and extend the overall duration of its facilities.

The delivery of these initiatives enabled the Board to announce a dividend increase of 2.5% for the quarter to 30 September 2018, and 5% thereafter. Dividend cover, on the increased dividend for the period, equated to 107%.[4]

Our focus will continue to be on driving income and total returns from the existing portfolio, managing risks and continuing to seek new investments to accelerate income growth. The near term actions to continue to increase the net income of the Company include:

1. Proactive asset management with disciplined approach to capital expenditure and expenses;
2. Recycle capital to improve returns on capital employed;
3. Review the potential to grow the Company in a way which will drive earnings once value enhancing opportunities are identified; and
4. Increase the level of communication about the strategy to a wider potential shareholder universe.

Winning Cities

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

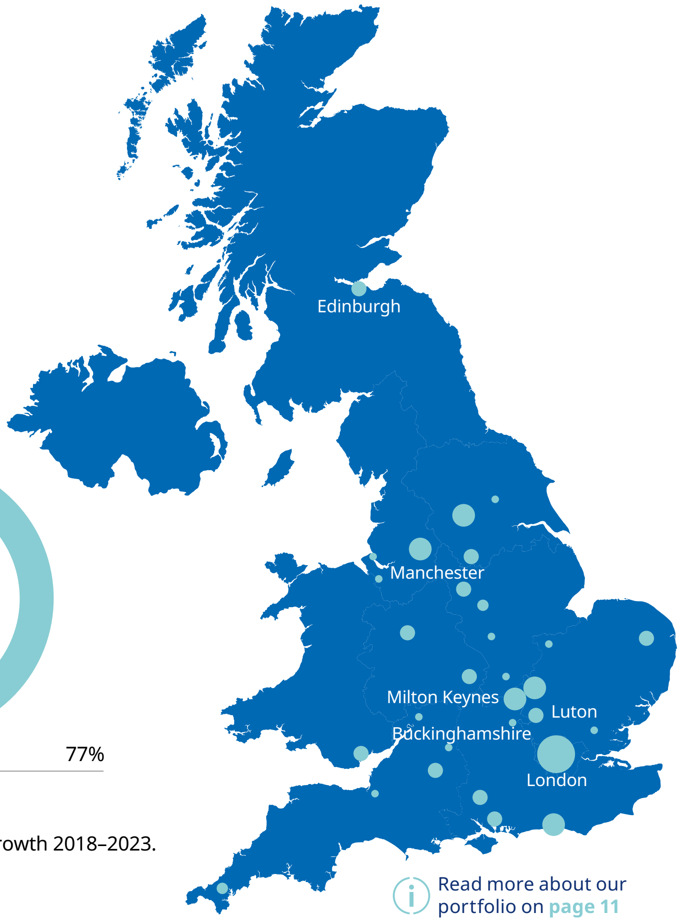
1 Source: CBRE.
2 Source: PMA.
3 Source: Oxford Economics growth forecasts 2018–2023, Schroders, October 2018.
4 Note excluding the one-off costs of the refinancings.

Investment Manager's Report continued

Portfolio

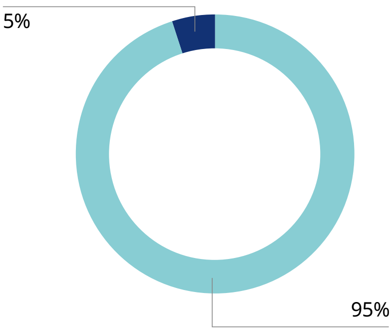
95%

of the portfolio located in higher growth locations

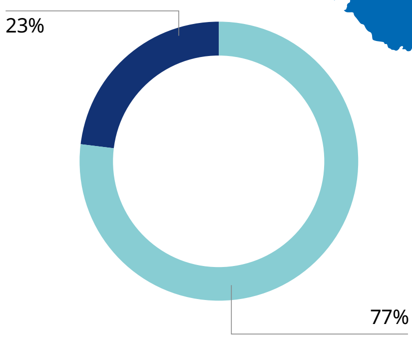


Read more about our portfolio on page 11

% of SREIT Capital Value



% of UK average[1]



- Locations forecast to have higher levels of Gross Domestic Product ('GDP') growth 2018–2023.
- Locations forecast to have lower levels of GDP growth 2018–2023.

1 Source: Oxford Economics, Schroders October 2013.

Real estate portfolio

As at 30 September 2018 the real estate portfolio comprised 46 properties valued at £509.4 million. This includes the share of joint venture properties at City Tower in Manchester and Store Street in Bloomsbury, London.

The portfolio produces a rental income of £28.4 million p.a., reflecting a net initial income yield of 5.2%. The portfolio also benefits from fixed contractual annual rental uplifts of £3.6 million by September 2020, and other income from items such as lease surrenders. The independent valuers' estimate that the current rental value of the portfolio is £35.5 million p.a., reflecting a reversionary income yield of 7.0%, which compares favourably with the MSCI/IPD Benchmark at 5.6%.

The data below summarises the portfolio information as at 30 September 2018:

Regional weightings by value	Weighting (% of portfolio) SREIT	MSCI/IPD Benchmark
City	0.0	3.3
Mid-town and West End	7.1	6.5
South East	12.9	12.3
Rest of UK	19.0	6.8
Offices sub-total	**39.0**	**28.9**
South Eastern	10.4	17.5
Rest of UK	17.1	9.7
Industrial sub-total	**27.5**	**27.2**
South East	1.3	6.2
Rest of UK	11.0	5.8
Shopping centres	0.0	4.8
Retail warehouse	15.0	16.5
Retail sub-total	**27.3**	**33.3**
Others	6.2	10.6
Other sub-total	**6.2**	**10.6**

Regional weightings by value	Weighting (% of portfolio) SREIT	MSCI/IPD Benchmark
Central London[1]	7.1	12.7
South East ex Central London	28.9	39.8
Rest of South	6.9	16.5
Midlands and Wales	27.6	13.7
North and Scotland	29.5	17.3

The top ten properties set out below comprise 57% of the portfolio value:

Top ten properties	Value (£m)	% of portfolio
1 Manchester, City Tower (25% share)	41.6	8.2
2 London, Store Street, Bloomsbury (50% share)	36.4	7.1
3 Milton Keynes, Stacey Bushes Industrial Estate	34.9	6.9
4 Brighton, Victory House	34.0	6.7
5 Bedford, St. John's Retail Park[2]	33.7	6.6
6 Leeds, Millshaw Industrial Estate	31.2	6.1
7 Leeds, Arndale Centre	29.3	5.8
8 Uxbridge, 106 Oxford Road	18.4	3.6
9 Norwich, Union Park Industrial Estate	17.4	3.4
10 London, Allied Way Acton	15.4	3.0
Total as at 30 September 2018	**292.3**	**57.4**

1 Central London is defined by MSCI as City, Mid-Town, West End and Inner London.
2 Includes the adjoining Howard House.

Investment Manager's Report continued

The table below sets out the top ten tenants that generally comprise large businesses and represent 31% of the portfolio:

Top ten tenants	Contracted rent p.a. (£000)	% of portfolio
1 University of Law Ltd	1,574	5.1
2 BUPA Insurance Services Ltd	1,093	3.6
3 Wickes Building Supplies Ltd	1,092	3.6
4 Aviva Life & Pensions UK Ltd	1,039	3.4
5 Buckinghamshire New University	1,018	3.3
6 Mott MacDonald Ltd	790	2.6
7 Recticel Ltd	731	2.4
8 Sportsdirect.com Retail Ltd	722	2.4
9 The Secretary of State	715	2.3
10 Booker Limited	700	2.3
Total as at 30 September 2018	**9,474**	**31.0**

Portfolio performance

A high level of asset management has led to continued outperformance of the underlying property portfolio compared with the MSCI/IPD Benchmark. The table below shows the performance to 30 September 2018 with the portfolio ranked on the 10th percentile of the MSCI/IPD Benchmark since inception:

	SREIT total return p.a. (%)			MSCI/IPD Benchmark total return p.a. (%)			Relative p.a. (%)		
Period	Six months	Three years	Since inception[1]	Six months	Three years	Since inception[1]	Six months	Three years	Since inception[1]
Retail	(1.0)	4.3	5.7	0.3	3.7	4.5	(1.3)	0.6	1.1
Office	3.8	8.7	8.3	3.4	6.1	7.0	0.4	2.5	1.3
Industrial	11.9	19.0	9.5	8.5	14.4	8.6	3.1	4.0	0.9
Other	3.5	11.5	3.6	4.2	9.4	7.5	(0.7)	1.9	(3.6)
All sectors	**4.5**	**9.9**	**7.8**	**3.8**	**7.4**	**6.3**	**0.7**	**2.3**	**1.4**

1 The Company listed on the London Stock Exchange in July 2004.

Asset management

Milton Keynes, Stacey Bushes Industrial Estate (Industrial)

Asset overview and performance
339,330 sq ft multi-let industrial estate comprising 61 units in a good location west of Milton Keynes. As at 30 September 2018 the asset was valued at £34.9 million reflecting a net initial income yield of 5.1% and a reversionary income yield of 5.5%.

Asset strategy
The strategy is to refurbish units as leases expire in order to capture higher rents in a high growth market.

Key activity

Acquisition of the adjoining ownership at 19 Hollin Lane completed on 5 October 2018, after the period end, at £776,000 and once let at Estimated Recovery Value ('ERV') of

£67,500p.a.

will reflect a yield of 8.1% after costs.

Only one vacant unit, now undergoing refurbishment with a total rental value of

£14,500p.a.

Nine lettings and lease renewals totalling

£319,404p.a.

Acquired unit from owner occupier at £330,000 on a sale and leaseback at a rent of

£35,000p.a.

reflecting a yield of 8.6%.

Planning in place for new development of 14,500 sq ft in six units. Estimated cost £2.4 million with a rental value of

£150,000p.a.

Brighton, Victory House (Office)

Asset overview and performance
85,000 sq ft office in a high-quality location adjoining the station and let to Mott Macdonald Ltd and BUPA Insurance Services Ltd ('BUPA'). As at 30 September 2018, the asset was valued at £34.0 million reflecting a net initial income yield of 2.2%, increasing to 5.2% on expiry of BUPA's rent free period, and a reversionary income yield of 5.5%. The asset was acquired at a price of £16.5 million in 2005.

Asset strategy
Having completed the BUPA lease extension, the strategy is to regear the lease to Mott MacDonald to improve the income level and length of the lease.

Key activity

In June 2018, BUPA agreed a new

10 year

lease without breaks at a rent of £1.09 million p.a., reflecting an uplift of 14%. BUPA occupy 45,545 sq ft or 54% of Victory House and previously paid £960,000 p.a. on a lease with a tenant only break option in 2020. The new lease has a favourable rent review in 2023 to the higher of £1.2 million per annum (i.e. 2% p.a. compound) or open market value, subject to a cap of £1.3 million p.a. (i.e. 4% p.a. compound). As part of the transaction BUPA receives a rent free period of 15 months.

Discussions with the other tenant, Mott MacDonald, are ongoing.

Investment Manager's Report continued

Acquisitions update: Edinburgh, The Tun and Nottingham, The Arc (Office)

Asset overview and performance
The Tun is a 42,050 sq ft office heritable interest (Scottish equivalent of a freehold) located in the Holyrood district of Edinburgh. As at 30 September 2018, the asset was valued at £10.8 million.

The Arc is a 44,602 sq ft freehold office located on a business park in Nottingham that is adjacent to a tram stop that provides a regular, six-minute service to the city centre. As at 30 September 2018, the asset was valued at £10.3 million.

Asset strategy
Following the acquisition in August 2018, the strategy has been to capture near-term rental growth and to extend the average weighted lease length.

Key activity

Edinburgh, The Tun: Terms agreed with Vattenfall Wind to renew their occupation beyond their expiry in 2019 for a further ten years with five year break at a new headline rent for the building of

£26 per sq ft

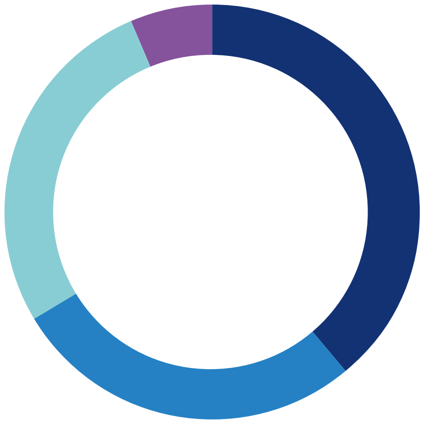
versus an acquisition ERV of £24 per sq ft. This along with other initiatives should increase the weighted lease term from 5.4 to 6.1 years.

Nottingham, The Arc: Completed regear with Geldards LLP, a solicitor occupying over 50% of the property, resulting in a rental increase from 2020 of

9.5%

The extension of the previous expiry from 2020 to 2023 resulted in increasing the property's overall average weighted lease term from five to 6.5 years.

Regional weightings by sector



Offices	39.0%
Industrial	27.5%
Retail	27.3%
Other	6.2%

Regional weightings

Central London	7.1%
South East ex Central London	28.9%
Rest of South	6.9%
Midlands and Wales	27.6%
North and Scotland	29.5%

Responsible investment

Our approach to responsible investment has been continually upgraded over the last few years and we are increasingly seeking to assess and improve the positive impact of our investments. This involves incorporation of environmental, social and governance issues as well as, importantly, the impact of our investments on the built environment and climate change risks and opportunities. The Company's work in this area was recognised with an EPRA Gold Level award for compliance in their Sustainability Best Practice reporting recommendations in the accounts for the year ending 31 March 2018. Additionally, the Company demonstrated continued strong performance within GRESB (formerly the Global Real Estate Sustainability Benchmark) this year, securing Green Star status and an overall score of 63 (up 7%, from 59 last year). As manager, we are aware of the importance of the impact the Company's activities have in local environments and the performance of this area is being continually measured. It was a founding member of the UK Green Building Council in 2007 and in 2017 became a member of the Better Buildings Partnership and a Fund Manager Member of GRESB.

Finance

The Company refinanced both Canada Life and RBS loans in July 2018. These transactions capitalised on current low interest rates and repositioned the balance sheet for a lower cost and longer term. This active management of the balance sheet resulted in:

- Competitive financing terms that lengthened both near-term debt maturity dates by five years, and extend the average weighted debt term from 7.7 years to approximately nine years;
- The overall cost of debt reduced from 4.4% to 4.0% assuming the revolving credit facility ('RCF') is fully drawn;
- Over 80% of the Company's debt is fixed with the remainder capped; and
- Enlarged RCF provided additional liquidity for acquisitions and capital expenditure, with the ability to efficiently de-gear following asset sales or equity issuance.

In addition to the secured properties, the joint venture properties City Tower in Manchester and Store Street in London are uncharged with a combined value of £77.8 million.

Overall, the Company has a overall net loan to value ('LTV') of 29%, and has significant headroom to its loan covenants. Details of the two loans and compliance with principal covenants set out below:

				LTV[1]		Interest Cover Ratio ('ICR')[2]		Forward looking ICR[3]	
Lender	Loan (£m)	Maturity	Interest rate (%)	Ratio (%)	Covenant (%)	Ratio (%)	Covenant (%)	Ratio (%)	Covenant (%)
Canada Life	129.6	15/04/2028	4.43[4]	35.1	65	326	185	334	185
RBS	30.5[5]	20/05/2023	2.40[6]	46.5	65	n/a	n/a	488	250

Outlook

There are a number of challenges facing the UK real estate market presented by current political and economic uncertainty. Furthermore, the continued structural change driving the polarisation of performance remains a key theme. In this environment, we have sought to develop a strategy based on investing in strong fundamentals and focused on active management. We have also refinanced at current low interest rates and made investments that have grown earnings.

We will continue to be active asset managers. Our broad pipeline of asset management initiatives provide opportunities to add value throughout the cycle. This activity is a mainstay of the Company's strategic objectives, the delivery of which is intended to sustainably increase net income. We will also sell assets where good performance can be realised and reinvest in opportunities which will generate higher net income.

Duncan Owen
Schroder Real Estate Investment Management Limited

12 November 2018

1 Loan balance divided by property value as at 30 September 2018.
2 For the quarter preceding the Interest Payment Date ('IPD'), ((rental income received – void rates, void service charge and void insurance)/interest paid).
3 For the quarter following the IPD, ((rental income received – void rates, void service charge and void insurance)/interest paid).
4 Fixed total interest rate for the loan term. This is a blended interest between two portions of the loan.
5 £2 million of the RCF remains undrawn.
6 Total interest rate as at 30 September 2018 comprising three months LIBOR of 0.80% and the margin of 1.6% at an LTV below 60% and a margin of 1.85% above 60% LTV.

Responsibility Statement of the Directors in respect of the Interim Report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting; and
- the interim management report (comprising the Chairman's and the Investment Manager's report) includes a fair review of the information required by:

  (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last Annual Report that could do so.

We are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website, and for the preparation and dissemination of financial statements. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Lorraine Baldry
Chairman

12 November 2018

Independent Review Report to Schroder Real Estate Investment Trust Limited

Conclusion
We have been engaged by Schroder Real Estate Investment Trust Limited (the "Company") to review the condensed set of financial statements in the Interim Report for the six months ended 30 September 2018 of the Company, its subsidiaries and its interests in joint ventures (together the "Group") which comprises the Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Statement of Cash Flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Interim Report for the six months ended 30 September 2018 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review
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 UK. 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. We read the other information contained in the Interim Report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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.

Directors' responsibilities
The Interim Report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards. The directors are responsible for preparing the condensed set of financial statements included in the Interim Report in accordance with IAS 34.

Our responsibility
Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the Interim Report based on our review.

The purpose of our review work and to whom we owe our responsibilities
This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Lee Clark
For and on behalf of KPMG Channel Islands Limited
Chartered Accountants, Guernsey

12 November 2018

Condensed Consolidated Statement of Comprehensive Income

	Notes	**Six months to 30/09/2018 £000 (unaudited)**	Six months to 30/09/2017 £000 (unaudited)	Year to 31/03/2018 £000 (audited)
Rental income		12,528	12,390	24,041
Other income		39	985	1,545
Property operating expenses		(1,040)	(1,017)	(1,754)
Net rental and related income, excluding joint ventures		**11,527**	12,358	23,852
Share of net rental income in joint ventures		*1,512*	*1,409*	*2,754*
Net rental and related income, including joint ventures		*13,039*	*13,767*	*26,606*
Profit on disposal of investment property	6	**2**	–	594
Net valuation gain on investment property	6	**7,286**	6,573	20,195
Expenses				
Investment management fee	2	(1,551)	(1,772)	(3,531)
Valuers' and other professional fees		(726)	(678)	(1,549)
Administrator's fee	2	(60)	(60)	(120)
Auditor's remuneration		(66)	(64)	(128)
Directors' fees		(75)	(90)	(180)
Abortive transaction costs	3	–	–	(1,507)
Other expenses	3	(140)	(169)	(223)
Total expenses		**(2,618)**	(2,833)	(7,238)
Net operating profit before net finance costs		**16,197**	16,098	37,403
Refinancing costs	10	(3,128)	–	–
Finance costs payable		(3,369)	(3,410)	(6,819)
Net finance costs		**(6,497)**	(3,410)	(6,819)
Share of net rental income in joint ventures	7	1,512	1,409	2,754
Share of net valuation (loss)/gain in joint ventures	7	(617)	367	498
Profit and total comprehensive income for the period attributable to the equity holders of the parent		**10,595**	14,464	33,836
Basic and diluted earnings per share	4	**2.0p**	2.8p	6.5p

All items in the above statement are derived from continuing operations. The accompanying notes 1 to 16 form an integral part of the Interim Report.

Condensed Consolidated Statement of Financial Position

	Notes	30/09/2018 £000 (unaudited)	30/09/2017 £000 (unaudited)	31/03/2018 £000 (audited)
Investment property	6	417,783	372,323	388,976
Investment in joint ventures	7	78,381	77,617	77,748
Non-current assets		**496,164**	449,940	466,724
Trade and other receivables	8	18,067	17,112	14,415
Cash and cash equivalents	9	8,881	24,887	29,218
Investment property held for sale	6	2,000	5,777	–
Current assets		**28,948**	47,776	43,633
Total assets		**525,112**	497,716	510,357
Issued capital and reserves		384,187	367,076	380,022
Treasury shares		(26,452)	(26,452)	(26,452)
Equity		**357,735**	340,624	353,570
Interest-bearing loans and borrowings	10	157,973	148,386	148,505
Non-current liabilities		**157,973**	148,386	148,505
Trade and other payables	11	8,966	8,483	8,282
Taxation payable		438	223	–
Current liabilities		**9,404**	8,706	8,282
Total liabilities		**167,377**	157,092	156,787
Total equity and liabilities		**525,112**	497,716	510,357
Net asset value per ordinary share	12	**69.0p**	65.7p	68.2p

The financial statements on pages 16 to 26 were approved at a meeting of the Board of Directors held on 12 November 2018 and signed on its behalf by:

Lorraine Baldry
Chairman

The accompanying notes 1 to 16 form an integral part of the Interim Report.

Condensed Consolidated Statement of Changes in Equity

For the period from 1 April 2017 to 30 September 2017 (unaudited)	Notes	Share premium £000	Treasury share reserve £000	Revenue reserve £000	Total £000
Balance as at 31 March 2017		**219,090**	**(26,452)**	**139,952**	**332,590**
Profit and total comprehensive income for the period		–	–	14,464	14,464
Dividends paid	5	–	–	(6,430)	(6,430)
Balance as at 30 September 2017		**219,090**	**(26,452)**	**147,986**	**340,624**

For the year ended 31 March 2018 (audited) and for the period from 1 April 2018 to 30 September 2018 (unaudited)	Notes	Share premium £000	Treasury share reserve £000	Revenue reserve £000	Total £000
Balance as at 31 March 2017		**219,090**	**(26,452)**	**139,952**	**332,590**
Profit and total comprehensive income for the year		–	–	33,836	33,836
Dividends paid	5	–	–	(12,856)	(12,856)
Balance as at 31 March 2018		**219,090**	**(26,452)**	**160,932**	**353,570**
Profit and total comprehensive income for the period		–	–	10,595	10,595
Dividends paid	5	–	–	(6,430)	(6,430)
Balance as at 30 September 2018		**219,090**	**(26,452)**	**165,097**	**357,735**

The accompanying notes 1 to 16 form an integral part of the Interim Report.

Condensed Consolidated Statement of Cash Flows

	Six months to 30/09/2018 £000 (unaudited)	Six months to 30/09/2017 £000 (unaudited)	Year to 31/03/2018 £000 (audited)
Operating activities			
Profit for the period/year	10,595	14,464	33,836
Adjustments for:			
Profit on disposal of investment property	(2)	–	(594)
Net valuation gain on investment property	(7,286)	(6,573)	(20,195)
Share of profit of joint ventures	(895)	(1,776)	(3,252)
Net finance cost	3,369	3,410	6,819
Operating cash generated before changes in working capital	**5,781**	9,525	16,614
(Increase)/decrease in trade and other receivables	(3,664)	(3,209)	12,087
Increase/(decrease) in trade and other payables	648	(195)	(613)
Cash generated from operations	**2,765**	6,121	28,088
Finance costs paid	(3,298)	(3,290)	(6,585)
Tax	–	–	
Net cash from operating activities	**(533)**	2,831	21,503
Investing activities			
Proceeds from sale of investment property	–	12,600	6,544
Additions to investment property	(1,142)	(5,300)	(8,504)
Acquisition of investment property	(22,377)	–	–
Investment in joint ventures	(1,250)	(350)	(350)
Net income distributed from joint ventures	1,512	1,409	2,754
Net cash (used in)/from investing activities	**(23,257)**	8,359	444
Financing activities			
Additions to debt	9,883	–	–
Dividends paid	(6,430)	(6,430)	(12,856)
Net cash from/(used in) financing activities	**3,453**	(6,430)	(12,856)
Net (decrease)/increase in cash and cash equivalents for the period/year	**(20,337)**	4,760	9,091
Opening cash and cash equivalents	**29,218**	20,127	20,127
Closing cash and cash equivalents	**8,881**	24,887	29,218

The accompanying notes 1 to 16 form an integral part of the Interim Report.

Notes to the Interim Report

1. Significant accounting policies

Schroder Real Estate Investment Trust Limited (the 'Company') is a closed-ended investment company incorporated in Guernsey. The condensed interim financial statements of the Company for the period ended 30 September 2018 comprise the Company, its subsidiaries and its interests in joint ventures (together referred to as the 'Group').

Statement of compliance

The condensed 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. They do not include all 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 31 March 2018. The condensed interim financial statements have been prepared on the basis of the accounting policies set out in the Group's annual financial statements for the year ended 31 March 2018. The financial statements for the year ended 31 March 2018 have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board. The Group's annual financial statements refer to new standards and interpretations none of which had a material impact on the condensed interim financial statements. IFRS 15 became effective during the period. The Directors have assessed the impact of this new standard and have concluded that its application has no material impact on the Company.

Going concern

The Directors have examined significant areas of possible financial risk including cash and cash requirements and the debt covenants, in particular the loan to value covenants and interest cover ratios on the loans with Canada Life and Royal Bank of Scotland ('RBS'). In July 2018, the Group completed a refinancing activity which included extending a portion of the Canada Life debt and increasing the revolving credit facility ('RCF') with RBS. 100% of the Canada Life loan now matures on 15 April 2028 and The RBS loan matures in July 2023. The Directors have not identified any material uncertainties which would cast significant doubt on the Group's ability to continue as a going concern for a period of not less than 12 months from the date of the approval of the condensed interim financial statements. The Directors have satisfied themselves that the Group has adequate resources to continue in operational existence for the foreseeable future.

After due consideration, the Board believes it is appropriate to adopt the going concern basis in preparing the condensed interim financial statements.

Use of estimates and judgments

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. 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. There have been no changes in the judgements and estimates used by management as disclosed in the last Annual Report and financial statements for the year ended 31 March 2018.

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, the United Kingdom. There is no one tenant that represents more than 10% of Group revenues. The chief operating decision maker is considered to be the Board of Directors who are provided with consolidated IFRS information on a quarterly basis.

2. Material agreements

Schroder Real Estate Investment Management Limited is the Investment Manager to the Company.

The Investment Manager is entitled to a fee together with reasonable expenses incurred in the performance of its duties. The fee is payable monthly in arrears and shall be an amount equal to one 12th of the aggregate of 1.1% of the NAV of the Company. The Investment Management Agreement can be terminated by either party on not less than 12 months written notice or on immediate notice in the event of certain breaches of its terms or the insolvency of either party. The total charge to profit during the period was £1,551,000 (year to 31 March 2018: £3,531,000, six months to 30 September 2017: £1,772,000), which included a £283,000 VAT refund. At the period end £581,000 (31 March 2018: £556,000, 30 September 2017: £230,000) was outstanding.

The Board appointed Northern Trust International Fund Administration Services (Guernsey) Limited as the Administrator to the Company with effect from 25 July 2007. The Administrator is entitled to an annual fee equal to £120,000 of which £30,000 (31 March 2018: £30,000, 30 September 2017: £30,000) was outstanding at the period end.

3. Expenses

	Six months to 30/09/2018 £000	Six months to 30/09/2017 £000	Year to 31/03/2018 £000
Regulatory costs	10	11	21
Professional fees	132	88	109
Other expenses	(2)	70	93
	140	169	223

4. Basic and diluted earnings per share

The basic and diluted earnings per share for the Group is based on the profit for the period of £10,595,000 (31 March 2018: £33,836,000, 30 September 2017: £14,464,000) and the weighted average number of ordinary shares in issue during the period of 518,513,409 (31 March 2018: 518,513,409, 30 September 2017: 518,513,409).

European Public Real Estate Association ('EPRA') earnings reconciliation

	Six months to 30/09/2018 £000	Six months to 30/09/2017 £000	Year to 31/03/2018 £000
Profit after tax	10,595	14,464	33,836
Adjustments to calculate EPRA earnings exclude:			
Profit on disposal of investment property	(2)	–	(594)
Net valuation gain on investment property	(7,286)	(6,573)	(20,195)
Share of valuation loss/(gain) in joint ventures	617	(367)	(498)
EPRA earnings	**3,924**	7,524	12,549
Company adjustments[1]	3,128	–	1,507
Adjusted EPRA earnings	**7,052**	7,524	14,056
Weighted average number of ordinary shares	518,513,409	518,513,409	518,513,409
EPRA earnings per share (pence)	**0.8**	1.4	2.4
Adjusted EPRA earnings per share (pence)	**1.4**	1.4	2.7

EPRA earnings per share reflect the underlying performance of the Group calculated in accordance with the EPRA guidelines.

5. Dividends paid

In respect of	Number of ordinary shares	Rate (pence)	**01/04/2018 to 30/09/2018 £000**
Quarter 31 March 2018 dividend paid 31 May 2018	518.51 million	0.62	3,215
Quarter 30 June 2018 dividend paid 31 August 2018	518.51 million	0.62	3,215
		1.24	**6,430**

In respect of	Number of ordinary shares	Rate (pence)	01/04/2017 to 30/09/2017 £000
Quarter 31 March 2017 dividend paid 31 May 2017	518.51 million	0.62	3,215
Quarter 30 June 2017 dividend paid 31 August 2017	518.51 million	0.62	3,215
		1.24	6,430

1 The Company adjustments relate to one-off costs.

Notes to the Interim Report continued

5. Dividends paid continued

In respect of	Number of ordinary shares	Rate (pence)	01/04/2017 to 31/03/2018 £000
Quarter 31 March 2017 dividend paid 31 May 2017	518.51 million	0.62	3,214
Quarter 30 June 2017 dividend paid 31 August 2017	518.51 million	0.62	3,214
Quarter 30 September 2017 dividend paid 06 December 2017	518.51 million	0.62	3,214
Quarter 31 December 2017 dividend paid 07 March 2018	518.51 million	0.62	3,214
		2.48	12,856

A dividend for the quarter ended 30 September 2018 of 0.64p (£3.3 million) was declared on 12 November 2018 and will be paid on 30 November 2018.

6. Investment property

For the period 1 April 2017 to 30 September 2017 (unaudited)	Leasehold £000	Freehold £000	Total £000
Fair value as at 1 April 2017	37,403	328,824	366,227
Additions	32	5,268	5,300
Net valuation (loss)/gain on investment property	(1,286)	7,859	6,573
Fair value as at 30 September 2017	**36,149**	**341,951**	**378,100**

For the year 1 April 2017 to 31 March 2018 (audited)	Leasehold £000	Freehold £000	Total £000
Fair value as at 1 April 2017	37,403	328,824	366,227
Additions	721	7,783	8,504
Gross proceeds on disposals	(35)	(6,509)	(6,544)
Realised gain on disposals	35	559	594
Net valuation (loss)/gain on investment property	(944)	21,139	20,195
Fair value as at 31 March 2018	**37,180**	**351,796**	**388,976**

For the period 1 April 2018 to 30 September 2018 (unaudited)	Leasehold £000	Freehold £000	Total £000
Fair value as at 1 April 2018	37,180	351,796	388,976
Acquisitions of investment property	–	22,377	22,377
Additions	52	1,090	1,142
Realised gain on disposals	–	2	2
Net valuation (loss)/gain on investment property	(81)	7,367	7,286
Fair value as at 30 September 2018	**37,151**	**382,632**	**419,783**

The balance above includes:

	Leasehold £000	Freehold £000	Total £000
Investment property	37,151	380,632	417,783
Investment property held for sale	–	2,000	2,000
Fair value as at 30 September 2018	**37,151**	**382,632**	**419,783**

One of the investment properties has been determined to meet the criteria of a held for sale asset at the period end at a value of £2,000,000 (31 March 2018: £nil, 30 September 2017: £5,777,000).

6. Investment property continued

Fair value of investment property as determined by the valuer totals £431,475,000 (31 March 2018: £399,725,000, 30 September 2017: £388,550,000). As at 30 September 2018, £11,692,000 (31 March 2018: £10,749,000, 30 September 2017: £10,450,000) in connection with lease incentives is included within trade and other receivables.

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

The properties have been valued on the basis of 'fair value' in accordance with the RICS Valuation – Professional Standards VPS4(7.1) Fair Value and VPGA1 Valuations for Inclusion in Financial Statements which adopt the definition of fair value used by the International Accounting Standards Board.

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

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

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

Quantitative information about fair value measurement using unobservable inputs (Level 3) as at 30 September 2018 (unaudited)		Industrial	Retail (inc. retail warehouse)	Office	Other	Total
Fair value (£000)		140,550	133,575	136,500	20,850	431,475
Area ('000 sq ft)		1,732	599	634	177	3,142
Net passing rent per sq ft p.a.	Range Weighted average	£0–£10.83 £4.20	£0–£38.50 £13.36	£0–£25.81 £13.17	£0–£13.00 £6.87	£0–£38.50 £7.90
Gross ERV per sq ft p.a.	Range Weighted average	£3.75–£12.00 £5.42	£7.40–£38.50 £15.11	£9.50–£27.50 £16.40	£8.18–£13.00 £9.07	£3.75–£38.50 £9.69
Net initial yield[1]	Range Weighted average	0%–6.34% 4.84%	0%–7.42% 5.61%	0% –18.39% 5.72%	4.86%–5.85% 5.47%	0%–18.39% 5.39%
Equivalent yield	Range Weighted average	4.66%–7.58% 6.02%	5.01%–9.39% 6.13%	5.38%–10.66% 6.85%	4.75%–7.90% 6.61%	4.66%–10.66% 6.35%

1 Yields based on rents receivable after deduction of head rents, but gross of non-recoverables.

Quantitative information about fair value measurement using unobservable inputs (Level 3) as at 31 March 2018 (audited)		Industrial	Retail (inc. retail warehouse)	Office	Leisure	Total
Fair value (£000)		128,450	138,825	111,700	20,750	399,725
Area ('000 sq ft)		1,716	599	547	177	3,039
Net passing rent per sq ft p.a.	Range Weighted average	£0–£10.83 £4.13	£0–£38.50 £13.89	£0–£25.81 £13.56	£0–£6.15 £4.52	£0–£38.50 £7.77
Gross ERV per sq ft p.a.	Range Weighted average	£3.75–£11.50 £5.36	£7.40–£38.50 £15.23	£9.50–£27.50 £15.70	£8.23–£13.00 £9.11	£3.75–£38.50 £9.38
Net initial yield[1]	Range Weighted average	0%–6.81% 5.17%	0%–8.25% 5.61%	0%–17.41% 6.22%	0%–5.80% 3.62%	0%–17.41% 5.53%
Equivalent yield	Range Weighted average	4.84%–8.91% 6.40%	4.75%–8.68% 6.00%	5.60%–10.41% 7.01%	4.75%–7.83% 6.61%	4.75%–10.41% 6.44%

1 Yields based on rents receivable after deduction of head rents, but gross of non-recoverables.

Notes to the Interim Report continued

6. Investment property continued

Sensitivity of measurement to variations in the significant unobservable inputs

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

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

There are interrelationships between the yields and rental values as they are partially determined by market rate conditions.

The sensitivity of the valuation to changes in the most significant inputs per class of investment property are shown below:

Estimated movement in fair value of investment properties at 30 September 2018 (unaudited)	Industrial £000	Retail £000	Office £000	Other £000	**Total £000**
Increase in ERV by 5%	6,755	5,906	5,973	578	19,032
Decrease in ERV by 5%	(6,531)	(5,163)	(5,621)	(561)	(17,876)
Increase in net initial yield by 0.25%	(6,897)	(5,697)	(5,713)	(911)	(19,124)
Decrease in net initial yield by 0.25%	7,647	6,229	6,235	998	20,984

Estimated movement in fair value of investment properties at 31 March 2018 (audited)	Industrial £000	Retail £000	Office £000	Other £000	Total £000
Increase in ERV by 5%	6,559	6,057	4,837	731	18,184
Decrease in ERV by 5%	(5,460)	(5,405)	(4,792)	(737)	(16,394)
Increase in net initial yield by 0.25%	(5,929)	(5,920)	(4,318)	(1,341)	(17,277)
Decrease in net initial yield by 0.25%	6,532	6,473	4,680	1,540	18,911

7. Investment in joint ventures

For the period 1 April 2017 to 30 September 2017 (unaudited)	£000
Opening balance as at 1 April 2017	76,900
Purchase of units in City Tower Unit Trust to fund capital expenditure	350
Share of profit for the period	1,776
Distributions received	(1,409)
Amounts recognised as joint ventures at 30 September 2017	**77,617**

7. Investment in joint ventures continued

For the year 1 April 2017 to 31 March 2018 (audited)	£000
Opening balance as at 1 April 2017	76,900
Purchase of units in City Tower Unit Trust to fund capital expenditure	350
Share of profit for the period	3,252
Distribution received	(2,754)
Amounts recognised as joint ventures at 31 March 2018	**77,748**

For the period 1 April 2018 to 30 September 2018 (unaudited)	£000
Opening balance as at 1 April 2018	77,748
Purchase of units in City Tower Unit Trust to fund capital expenditure	1,250
Share of profit for the period	895
Distributions received	(1,512)
Amounts recognised as joint ventures at 30 September 2018	**78,381**

8. Trade and other receivables

	Six months to 30/09/2018 £000	Six months to 30/09/2017 £000	Year to 31/03/2018 £000
Rent receivable	1,873	1,830	974
Sundry debtors and prepayments	16,194	15,282	13,441
	18,067	17,112	14,415

Other debtors and receivables includes £11,692,000 (31 March 2018: £10,749,000, 30 September 2017: £10,450,000) in respect of lease incentives.

9. Cash and cash equivalents

As at 30 September 2018 the Group had £8.9 million in cash (31 March 2018: £29.2 million, 30 September 2017: £24.9 million) of which £nil is held within the Canada Life security pool. (31 March 2018: £nil million, 30 September 2017: £2.5 million).

10. Interest-bearing loans and borrowings

The Group entered into a £129.6 million loan facility with Canada Life on 16 April 2013 that had 20% of the loan maturing on 15 April 2023 and with the balance of 80% maturing on 15 April 2028, with a fixed interest rate of 4.77%. On the 2 July 2018, the 20% of the Canada Life loan maturing on 15 April 2023 was refinanced extending the maturity date, increasing the length of the loan to that of the 80%, maturing on the 15 April 2028 making it coterminous with the 80% balance. The interest rate for this element of the loan was amended to 3.00% from 4.77%.

On 2 July 2018, the Company refinanced its existing £20.5 million RCF with RBS. The RCF with RBS was increased from £20.5 million to £32.5 million. The existing RCF had been due to expire in July 2019, and the new five year loan has a maturity in July 2023. The interest rate is based on the loan to value ratio as below:
- LIBOR + 1.60% if loan to value is less than or equal to 60%
- LIBOR + 1.85% if loan to value is greater than 60%

During the period the loan to value has remained less than 60%. Since this loan has variable interest, an interest rate cap for 100% of the loan was entered into, which comes into effect if GBP three-month LIBOR reaches 1.5%.

As at 30 September 2018 the Group has a loan balance of £160.1 million and £2.1 million of unamortised arrangement fees (31 March 2018: £150.1 million and £1.6 million of unamortised arrangement fees, September 2017: £150.1 million and £1.7 million of unamortised arrangement fees).

Fair values are based on the present value of future cash flows discounted at a market rate of interest. Issue costs are amortised over the period of the borrowings. As at 30 September 2018 the fair value of the Group's £129.6 million loan with Canada Life was £145.3 million (31 March 2018: £143.0 million, 30 September 2017: £143.6 million).

Refinancing of both the external loans led to a one-off refinancing expense of £3.1 million during the period.

Notes to the Interim Report continued

11. Trade and other payables

	Six months to 30/09/2018 £000	Six months to 30/09/2017 £000	Year to 31/03/2018 £000
Rent received in advance	4,938	4,804	4,782
Rental deposits	1,105	1,037	963
Interest payable	1,391	1,391	1,391
Other payables and accruals	1,532	1,251	1,146
	8,966	8,483	8,282

12. NAV per ordinary share

The NAV per ordinary share is based on the net assets of £357,735,000 (31 March 2018: £353,570,000, 30 September 2017: £340,624,000) and 518,513,409 ordinary shares in issue at the Statement of Financial Position reporting date (31 March 2018: 518,513,409, 30 September 2017: 518,513,409).

13. Financial risk factors

The Directors are of the opinion that there have been no significant changes to the financial risk profile of the Group since the end of the last annual financial reporting period ended 31 March 2018 of which it is aware.

The main risks arising from the Group's financial instruments and properties are market price risk, credit risk, liquidity risk and interest rate risk. The Group is only directly exposed to sterling and hence is not exposed to currency risks. The Board regularly reviews and agrees policies for managing each of these risks.

14. Related party transactions

Material agreements are disclosed in note 2. The Directors' remuneration for the period for services to the Group was £75,000 (31 March 2018: £180,000, 30 September 2017: £90,000). Transactions with joint ventures are disclosed in note 7.

15. Capital commitments

At 30 September 2018 the Group had capital commitments of £2 million (31 March 2018: £1.2 million, 30 September 2017: £3.2 million).

16. Post balance sheet events

Post year end, the Company acquired 19 Hollin Lane, Milton Keynes for £0.8 million on the 5 October 2018.

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