SCHRODER REAL ESTATE INVESTMENT TRUST LIMITED

Interim Report and Condensed Consolidated Financial Statements

For the period 1 April 2022 to 30 September 2022

Schroders capital

50 years in Real Estate

Highlights

For the period to 30 September 2022

Stacey Bushes Industrial Estate, Milton Keynes

Front cover image shows Millshaw Industrial Estate in Leeds

Net asset value ('NAV')

£366.0m

2021: £323.4m

NAV total return

0.8%

2021: 11.3%

Property portfolio value

£532.0m

2021: £464.0m

Property portfolio total return

1.8%

MSCI Benchmark: -1.2%

Net initial yield

5.4%

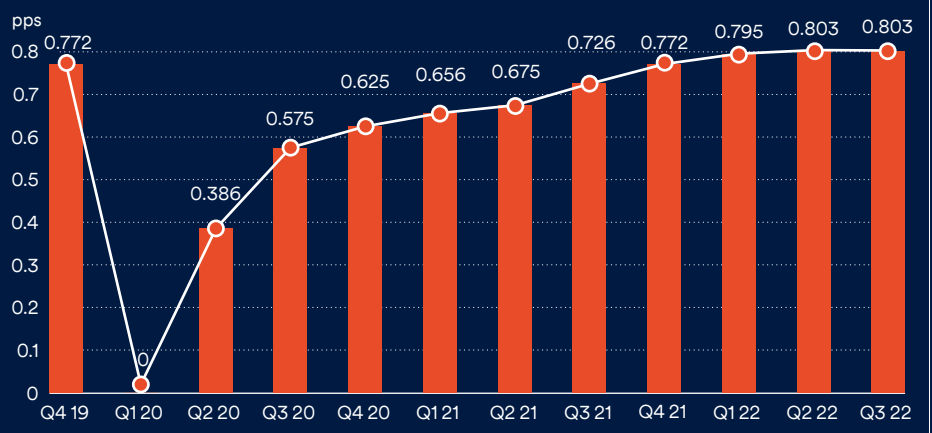
MSCI Benchmark: 4.1%

Reversionary yield

6.6%

MSCI Benchmark: 4.8%

Dividend trend
Dividend declared for the quarter



Dividend yield

6.9%[1]

Dividend yield – FTSE All-Share Index: 3.8%[2]
Dividend yield – FTSE All-Share REIT Index: 4.7%[2]

1 Based on share price at 30 September 2022 of 46.4p and an annualised dividend of 3.212 pps.
2 As at 30 September 2022.

Performance Summary

Property performance

	30 September 2022	30 September 2021	31 March 2022
Value of property assets and joint venture assets	**£532.0m**	£464.0m	£523.5m
Annualised rental income	**£30.7m**	£28.7m	£30.1m
Estimated open market rental value	**£35.4m**	£31.8m	£33.8m
Underlying portfolio total return	**1.8%**	8.9%	23.5%
MSCI benchmark total return	**(1.2%)**	7.7%	19.9%
Underlying portfolio income return	**2.8%**	3.2%	6.3%
MSCI Benchmark income return	**1.9%**	2.1%	3.9%

Financial summary

	Six months to 30 September 2022	Six months to 30 September 2021	Year to 31 March 2022
Net Asset Value ('NAV')	**£366.0m**	£323.4m	£372.2m
NAV per Ordinary Share	**74.8p**	65.8p	75.8p
EPRA Net Tangible Assets[1]	**£366.0m**	£323.4m	£372.2m
IFRS profit for the period	**£2.7m**	£33.2m	£89.4m
EPRA earnings[1]	**£8.6m**	£8.3m	£15.7m

Capital values

	30 September 2022	30 September 2021	31 March 2022
Share price	**46.4p**	49.2p	57.8p
Share price discount to NAV[2]	**(38.0%)**	(25.2%)	(23.7%)
NAV total return[1]	**0.8%**	11.3%	30.9%
FTSE All-Share Index	**3,763.48**	4,058.96	4,187.78

Earnings and dividends

	Six months to 30 September 2022	Six months to 30 September 2021	Year to 31 March 2022
IFRS earnings (pps)	**0.5**	6.8	18.2
EPRA earnings (pps)[1]	**1.7**	1.7	3.2
Dividends paid (pps)	**1.60**	1.33	2.83
Annualised dividend yield on 30 September/ 31 March share price[2]	**6.9%**	5.4%	4.9%

Bank borrowings

	30 September 2022	30 September 2021	31 March 2022
On-balance sheet borrowings[3]	**£175.9m**	£154.1m	£162.3m
Loan to Value ratio ('LTV'), net of all cash[1]	**31.4%**	30.7%	28.6%

Ongoing charges

	Six months to 30 September 2022	Six months to 30 September 2021	Year to 31 March 2022
Ongoing charges (including fund and property expenses)[1]	**1.99%**	2.3%	2.21%
Ongoing charges (including fund only expenses)[1]	**1.18%**	1.3%	1.26%

1 This is an Alternative Performance Measure ('APM'). Details of the calculation are included in the APM section on page 30.
2 Based on the share price at 30 September 2022 of 46.4p and an annualised dividend of 3.212 pps.
3 On-balance sheet borrowings reflect the loan facilities with Canada Life and RBSI without the deduction of unamortised finance costs of £0.9m.

Stanley Green Trading Estate,
Cheadle, Manchester

Chairman's Statement

Alastair Hughes
Chairman

Overview

I am pleased to report the unaudited interim results for the six month period to 30 September 2022, my first as the new Chairman of Schroder Real Estate Investment Trust Limited ('SREIT', or 'the Company'). I would like to take this opportunity to thank my predecessor, Lorraine Baldry, for her contribution to the Company's success over the past eight years.

The results demonstrate continued progress executing our strategy, sustained outperformance of the underlying portfolio compared with the MSCI Benchmark Index (the 'Benchmark'), and a quarterly dividend now 4% ahead of the pre-pandemic level.

Market conditions and the outlook for UK real estate changed markedly over the period, with a 3.1% net like-for-like increase in the Company's underlying portfolio value over the quarter to June contrasting with a 4.0% decline over the quarter to September. Although a slowdown was expected, and follows a period of strong growth in the real estate market, more persistent inflation, political instability and the resultant impact on gilt rates has contributed to a sharp change in sentiment and an associated decline in liquidity. More generally, rising interest rates and tighter fiscal policy are squeezing household real disposable incomes and will reduce business investment, leading to weaker GDP growth and an increased risk of a prolonged recession.

At this stage, it is difficult to assess how far average UK real estate values will fall in response to rising interest rates but, assuming the ten year gilt yield settles at approximately 3.5%, then, based on historical averages, investors may demand a yield from real estate of 5% to 5.5%. This would imply a decline in average market values of approximately 15% to 20%. To date we have indeed seen rapid yield expansion, with lower yielding assets such as prime south-east industrial and logistics experiencing the sharpest declines. The next phase of the correction will be more influenced by weaker GDP growth impacting occupier demand and therefore rental values, leading to a greater negative impact on secondary assets with poor fundamentals. Market conditions have led to the listed real estate market experiencing severe share price declines, with prices at wide discounts to NAV across both diversified and specialist real estate strategies.

Against this uncertain backdrop, we benefit from owning good quality, higher yielding, diversified assets focused on higher long term growth sectors. These characteristics, combined with transaction and asset management activity, mitigated the negative market valuation impact over the period, with a net like-for-like capital value decline of the underlying portfolio of -1.0%, compared with the Benchmark at -3.1%. This underlying movement resulted in a Net Asset Value ('NAV') as at 30 September 2022 of £366.0 million or 74.8 pence per share ('pps'), a marginal decline of 1.0 pps, or 1.3%, compared with the NAV as at 31 March 2022.

Encouragingly, an attractive income return of 2.8% (Benchmark 1.9%), combined with efficient management of expenses, resulted in EPRA earnings of £8.6 million for the period (six months to 30 September 2021: £8.3 million). Dividends paid during the period totalled £7.8 million or 1.6 pps, which reflected dividend cover of 110% and, together with the movement in NAV, a positive NAV total return for the period of 0.8%.

Finally, the Company has today separately announced a quarterly dividend of 0.803 pps, to be paid in the quarter ending 31 December 2022.

Balance sheet

At a time of greater uncertainty and rising interest rates, the Company is benefitting from relatively low leverage and an average loan maturity of 11.2 years, with a low average total debt cost of 2.7%. This is a competitive advantage versus peers and the fixed rate term loan's incremental positive fair value benefit of £17.7 million is not reflected in the Company's NAV.

At the period end, the Company had a net loan to value ('LTV') ratio of 31.4%, which is within the long-term strategic range of 25% to 35%. Whilst the Company has significant headroom against loan covenants, a decline in portfolio value could result in the net LTV ratio exceeding our long-term strategic range, and this will continue to be closely monitored.

During the period the Company acquired 1,969,725 shares under its share buyback programme for £1.0 million, which reflected an average discount to the 31 March 2022 NAV of 33%. The Board continues to review the potential for further buybacks in the future depending on movements in the share price and alternative uses for the Company's investment capacity.

Strategy

The strategy remains focused on delivering long term sustainable income growth and improving the quality of the underlying portfolio through active management and capital investment. The Manager is well positioned to drive income and value growth for the portfolio given their 'hospitality' approach in tenant management and operational excellence in all sectors, combined with a strong track record in managing sustainability improvements. The market correction and convergence of returns between the main sectors is demonstrating the benefits of owning a diversified portfolio, with the ability and expertise to invest across all sectors.

Transactional activity undertaken over recent years means the portfolio is increasingly well positioned in terms of sector focus and quality, with a 46.2% weighting to multi-let industrial estates, an 11.8% weighting to retail warehousing, and a 27.9% weighting to offices, of which 15.9% is concentrated in London and Manchester, the UK's two dominant urban centres. Primarily due to the market uncertainty, it has been a quieter period of transactional activity, with one acquisition of a high yielding mixed used asset in Manchester city centre, and one small disposal

crystallising a material premium to valuation. Whilst we remain alert to new opportunities, we expect the investment market to be muted in the near-term.

Good progress has been made capturing rental growth across our multi-let industrial estates in particular, where supply and demand dynamics remain highly favourable, with an income return over the period of 2.4% compared with the Benchmark 'All Industrial' average income return of 1.5%. Alongside driving income growth, asset management activity has focused on improving the portfolio's defensive qualities. This included agreeing lease extensions with major tenants such as Buckinghamshire New University in Uxbridge and IXYS UK Westcode Limited in Chippenham. Looking ahead, there is significant reversion to capture across the portfolio, which will be key in partially offsetting the above mentioned yield expansion.

The weaker economic outlook means we are alert to the potential affordability challenges that UK business occupiers could face. Our tenant engagement remains high, and we collected 98% of rent during the period. With our major tenants operating strong businesses, and rent representing a small percentage of our tenants' overall overheads, we remain confident that our income is secure and our assets will remain in demand.

Sustainability

An increased focus on sustainability is a key pillar of our strategy, and progress has been made over the period to codify this evolution. Our research and the evidence across the portfolio demonstrates that there is a material rental and value premium for buildings with green certifications, which should grow as extreme weather events become more common, as additional regulation with respect to the leasing of buildings with poor energy efficiency becomes effective and potential forms of carbon taxation are introduced.

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

This exercise will also enable us to refine the modelled cost of improvements required to achieve improved sustainability performance and inform asset strategies. In addition, it will support progress on our 'Pathway to Net Zero Carbon', which we announced during the period.

Our strategy to acquire and upgrade existing buildings means a significant proportion of the portfolio will be undergoing transition whilst sustainability performance is improved. This is an environmental necessity and, importantly, should support delivery of enhanced returns through acquiring, actively managing and transitioning mispriced assets.

The Manager's Report contains practical examples of how we are delivering on these commitments, notably our operational Net Zero Carbon, 80,000 sq ft industrial development in Cheadle, Manchester, the first of its type in the North West.

Our approach is already delivering positive results, with the Company achieving a further improvement in its score in the Global Real Estate Sustainability Benchmark ('GRESB'), placing it first amongst a group comprising seven diversified REITs. The Company also retained its Gold level compliance with the EPRA Sustainability Best Practice Recommendations for the fifth successive year.

Board succession

Having joined the Board in September 2015, Graham Basham will retire as independent Non-Executive Director and Chairman of the Management Engagement Committee on 15 November 2022. Graham has made a significant contribution to the Company, notably on matters relating to the Company's structure and administration. On behalf of my fellow directors, I would like to thank Graham for his service over the past seven years.

We are also today announcing the appointment of Alexandra Innes as an independent Non-Executive Director, with effect from 16 November 2022. Alexandra will be a member of the Audit and Nomination Committees, and will Chair the Management Engagement Committee. Alexandra has a strong track record across investment banking and investment management, and has relevant non-executive roles with the Bank of England, Securities Trust of Scotland PLC and Knight Frank LLP.

As part of the succession process, the Board also asked the appointed specialist search firm to review Board remuneration levels, which were last reviewed and increased in 2015. The search firm advised that the current directors fees were below the level of comparable real estate investment trusts. To align with recognised peers, directors fees have been increased to £55,000 for the Chairman, £40,000 for the Senior Independent Director and £35,000 for the other Directors, with an additional £5,000 be paid to the Chairman of the Audit Committee and Management Engagement Committee respectively to reflect additional responsibilities, with effect from 1 November 2022.

Independent valuers

It is expected that the Standards and Regulation Board of the Royal Institution of Chartered Surveyors will adopt the recommendations relating to governance and valuer rotation outlined in the independent review of January 2022, which includes mandatory rotation of valuers by clients after a period of between five to eight years. In preparation for these changes, and given the Company's independent valuer, Knight Frank LLP, has been in place since IPO in 2004, notice of termination has been served with their final valuation to be 31 December 2022. A comprehensive tender process is progressing for a replacement valuer, with a new appointment to be confirmed by the Board before the end of the calendar year.

Outlook

The UK economy is facing a recession, with rising interest rates and government fiscal tightening intensifying the squeeze on consumers real disposal incomes. This will most likely lead to a period of declining real estate values, however, given the lower levels of new development in progress and an apparent healthy banking system, the correction will be relatively swift compared with past cycles.

The Company's portfolio is well positioned for this more challenging environment, with high exposure to sectors and locations experiencing stronger occupational demand, a granular and resilient tenant base, an above-average income yield and a near term pipeline of asset management initiatives to support returns.

Crucially, the Company has a long-term, fixed-rate debt profile, with no near-term maturities, which positions the Company favourably versus the immediate peer group and gives us additional confidence against the uncertain backdrop. Having increased the dividend earlier this year ahead of the pre-pandemic level, we expect the dividend to remain fully covered for the current financial year.

Finally, as sustainability considerations become even more important for investors and occupiers, we are making good progress evolving our strategy to drive more sustainable, long-term returns.

Alastair Hughes
Chairman
Schroder Real Estate Investment Trust Limited

15 November 2022

Investment Manager's Report

Nick Montgomery
Fund Manager

"These resilient results are the outcome of disciplined investment decisions and active management of the portfolio. Conviction in our strategy has resulted in a good quality, diversified portfolio that is weighted towards parts of the UK real estate market experiencing stronger occupier demand with opportunities to add value through asset repositioning and development. Whilst a rising cost of capital will continue to put downward pressure on real estate values and a recession will challenge businesses, our diversified, higher yielding portfolio, robust occupier mix and strong balance sheet should support continued income growth against the volatile and uncertain backdrop."

Schroder Real Estate Investment Trust Limited's ('SREIT', or 'the Company') Net Asset Value ('NAV') as at 30 September 2022 was £366.0 million or 74.8 pence per share ('pps'), compared with £372.2 million, or 75.8 pps, as at 31 March 2022. This reflected a marginal decrease over the interim period of 1.0 pps or -1.3%. During the period, dividends totalling £7.8 million were paid, which resulted in a positive NAV total return of 0.8%. A detailed analysis of the NAV movement is set out in the table below:

	£m	PPS
NAV as at 31 March 2022[1]	**372.2**	**75.8**
Unrealised change in the valuations of the direct real estate portfolio and joint ventures[2]	(0.9)	(0.2)
Capital expenditure[3]	(5.4)	(1.1)
Acquisition costs	(0.9)	(0.2)
Realised gain on disposal, net of disposal costs	1.5	0.3
EPRA earnings[4]	8.6	1.7
Dividends paid	(7.8)	(1.6)
Others	(0.3)	(0.0)
NAV as at 30 September 2022 (excluding the share buyback)	**367.0**	**74.7**
Share buyback	(1.0)	0.1
NAV as at 30 September 2022[5]	**366.0**	**74.8**

1 The calculation of pence per share is based on shares in issue as at 31 March 2022 of 491,080,301.
2 Prior to all capital expenditure, acquisition costs and movement in IFRS 16 lease incentives.
3 Comprises capital expenditure of £5.2m on the directly held portfolio and £0.2m invested for the joint ventures.
4 EPRA earnings as per the reconciliation on page 28.
5 The calculation of pence per share is based on shares in issue as at 30 September 2022 of 489,110,576.

Stacey Bushes Industrial Estate,
Milton Keynes

The underlying portfolio, including joint ventures, decreased in value by 1.0% on a like-for-like, net of capex, basis over the six month period to 30 September 2022.

£5.4 million of capital expenditure was invested in asset management and redevelopment projects, including joint ventures, that should drive capital growth and future rental increases over the medium to longer term. Acquisition costs totalling £900,000 were incurred in May 2022 relating to the £14.7 million gross headline purchase price of St. Ann's House, a mixed-use office and retail asset in Manchester, which was subsequently valued at £14.8 million as at 30 September 2022.

In June 2022, Southlink, a single let industrial asset in Portsmouth, was sold for £6.5 million, which compared with the 31 March 2022 independent valuation of £4.9 million and reflected a net initial yield of 3.2%. The asset generated an ungeared total return of 13.2% per annum since acquisition in July 2004.

EPRA earnings for the period totalled £8.6 million, or 1.7 pps, an increase of £300,000, or 3.6%, on the corresponding period in the prior financial year of £8.3 million. This increase has been driven by asset management-led rental value growth, a positive contribution from the off-market industrial portfolio acquired in December 2021, and the St. Ann's House acquisition.

The total return from the underlying portfolio was 1.8% for the six month period to 30 September 2022, compared with the MSCI Benchmark Index (the 'Benchmark') of -1.2%. The portfolio performance comprised a 2.8% income return and a -1.0% net change in capital values, with both components outperforming the Benchmark at 1.9% and -3.1% respectively. The portfolio is ranked on the 10th percentile of the Benchmark since the Company's launch in 2004.

Between 28 July 2022 and 15 September 2022 the Company acquired 1,969,725 shares under its share buyback programme for £1.0 million, which reflected an average of 50.6 pps and a discount to the 31 March 2022 NAV of 33%.

Strategy

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

- Applying a research-led approach to determine attractive sectors and locations in which to invest in commercial real estate;
- Maximising performance by increasing exposure to larger assets with strong fundamentals and inherent opportunities for active management and development;
- Driving income and value growth through a hospitality approach in tenant management (optimising tenant services and lease terms) and operational excellence in all sectors (optimising operations in the assets, minimising use of scarce resources and waste);
- Applying our integrated sustainability and ESG approach at all stages of the investment process and asset lifecycle, targeting improvement in the sustainability performance of assets to manufacture the green premium for shareholders; and
- Controlling costs and maintaining a strong balance sheet with a loan to value, net of cash, within the long-term target range of 25% to 35%.

The following progress has been made delivering on the strategy:

- Increased allocation to higher growth sectors, with the industrial sector representing 46.2% of the portfolio value, largely through exposure to multi-let estates (Benchmark 33.5%). The remaining portfolio is comprised of retail warehousing of 11.8% (Benchmark 9.7%) and good quality offices located in higher growth Winning Cities such as in London, Manchester and Edinburgh of 27.9% (Benchmark 25.2%);
- The acquisition of St. Ann's House, a higher yielding, mixed-use office and retail asset in Manchester City Centre, which demonstrates the benefits of being able to source; investment opportunities across all sectors;
- Portfolio outperformance driven by active asset management, including completion of major lease agreements at Langley Park Industrial Estate in Chippenham and the Haywood House office in Cardiff, conditional lease agreements also exchanged for two new Starbucks drive-thru restaurants at retail parks in Bedford and Milton Keynes, and letting all warehouse space at Valley Park, Birkenhead which was acquired with void in December 2021. Post period end, a major lease regear was completed with Buckinghamshire New University in Uxbridge, which extended the lease contract by five years at a higher rent;
- In aggregate, 33 new lettings, rent reviews and renewals completed since the start of the period totalling £5.1 million in annualised rental income and generating £1.9 million per annum of additional rent above the previous level;
- Rent collection rates at pre-pandemic levels, proving the resilience of the portfolio. Good progress has been made collecting historical arrears through constructive engagement with tenants;
- Continued investment to deliver operational excellence in larger assets offering higher returns, with progress on key initiatives such as the construction of an operational Net Zero Carbon warehouse scheme at Stanley Green Trading Estate in Cheadle, Manchester and planning secured for a new operational Net Zero Carbon warehouse at Stacey Bushes in Milton Keynes;
- Enhanced ESG performance across the portfolio with sustainability-led building improvements, improved tenant data collection, and positive engagement with occupiers;
- This led to a further improvement in the Global Real Estate Sustainability Benchmark ('GRESB') score to 77 out of 100 in 2022 (2021: 75), achieving the maximum possible result for the Management aspects of the assessment and placing SREIT first amongst a group comprising seven diversified REITs (2021: second of eight);
- Announcement of the Company's pathway to Net Zero Carbon;
- Opportune timing of refinancing the revolving credit facility ('RCF'), fixing a margin of 1.65% (previously 1.60%), increasing the facility size to £75 million and extending the maturity by four years; this reduces refinancing risk and further enhances the Company's already strong balance sheet; and
- Efficient cost control leading to ongoing charges (including fund and property expenses) declining to 1.18% compared to 1.31% for the corresponding period in the prior financial year.

Investment Manager's Report
Continued

City Tower,
Manchester

Rent collection
The diversification and granularity of the underlying rental income, and a high level of occupier engagement, has supported improving rent collection rates with 99% of the contracted rents collected for the quarter to 30 September 2022. The breakdown between sectors is 99% of office rent collected, 98% of industrial rent collected and 98% of retail, leisure and other rent collected.

The Company remains in active dialogue with its tenants for historical arrears which totalled £3.2 million, net of VAT, at the period end, of which £600,000 is categorised as a bad debt. This compares to £4.2 million and £800,000 respectively as at 30 September 2021.

Portfolio performance
As noted above, the underlying portfolio continues to outperform the MSCI Benchmark, driven by portfolio sector allocations, active management and a high income return. The table below shows performance to 30 September 2022:

	SREIT total return			MSCI Benchmark total return			Relative		
Period to 30 September 2022	Six months (%)	Three years (% p.a.)	Since IPO* (% p.a.)	Six months (%)	Three years (% p.a.)	Since IPO* (% p.a.)	Six months (%)	Three years (% p.a.)	Since IPO* (% p.a.)
Retail	4.3	3.0	4.6	0.6	0.7	3.7	3.7	2.3	0.9
Office	0.0	4.9	7.7	(1.1)	2.0	6.8	1.2	2.9	0.8
Industrial	1.8	18.3	11.1	(3.2)	16.7	10.1	5.2	1.4	0.9
Other	4.5	4.5	3.8	0.0	3.3	7.2	4.5	1.1	(3.2)
All sectors	1.8	9.3	7.9	(1.2)	6.1	6.5	3.1	3.0	1.3

* IPO in July 2004.

Real estate portfolio
As at 30 September 2022, the portfolio comprised 42 properties valued at £532.0 million. This includes the share of joint venture properties at City Tower in Manchester and the University of Law in Bloomsbury, London.

The portfolio generated rental income of £30.7 million per annum, reflecting a net initial yield of 5.4%, which compared with the Benchmark of 4.1%. The portfolio also benefits from fixed contractual annualised rental income uplifts of £900,000 per annum over the next 24 months.

The independent valuers' estimated rental value ('ERV') of the portfolio is £35.4 million per annum, reflecting a reversionary income yield of 6.6%, which compares favourably with the Benchmark at 4.8%. As an asset under development, the independent valuer is yet to reflect the expected rent of £1.3 million per annum to be generated by the operational Net Zero Carbon scheme at Stanley Green Trading Estate in Cheadle, Manchester.

At the period end the portfolio void rate was 8.8%, calculated as a percentage of estimated rental value. This compares with the Benchmark void rate of 7.9%. The portfolio weighted average lease length, calculated to the earlier of lease expiry or break, is 5.1 years.

Approximately 15% of the portfolio by contracted rent is inflation linked, typically structured as five yearly reviews to either the Retail Price Index ('RPI') or the Consumer Price Index ('CPI'). In some cases these inflation-linked leases can also be reviewed to open market value, if higher, or include fixed guaranteed increases. A further 5% of rent benefits from fixed uplifts without an inflation link. The proportion of the portfolio with inflation-linked leases should increase with ongoing asset management activity.

St. John's Retail Park,
Bedford

The tables below summarise the portfolio information as at 30 September 2022. The property values and weightings presented represent the year end valuations as determined by the independent valuers as at 30 September 2022:

Top 15 properties by value	Sector	Value (£m)[1]	% of portfolio value
1 Milton Keynes, Stacey Bushes Industrial Estate	Industrial	61.1	11.5
2 Leeds, Millshaw Park Industrial Estate	Industrial	56.0	10.5
3 London, Bloomsbury, The University of Law Campus (50% share)	Office/university	41.5	7.8
4 Manchester, City Tower (25% share)	Office/hotel/retail/leisure/car park	38.7	7.3
5 Bedford, St. John's Retail Park	Retail Warehouse	34.7	6.5
6 Cheadle, Stanley Green Trading Estate	Industrial	29.5	5.5
7 Chippenham, Langley Park Industrial Estate	Industrial	26.8	5.0
8 Norwich, Union Park Industrial Estate	Industrial	24.9	4.7
9 Leeds, Headingley Central	Retail/hotel/leisure	23.8	4.5
10 Manchester, St. Ann's House	Office/retail	14.8	2.8
11 Telford, Horton Park Industrial Park	Industrial	14.7	2.8
12 Uxbridge, 106 Oxford Road	Office/university	13.1	2.5
13 Birkenhead, Valley Park Industrial Estate	Industrial	13.0	2.4
14 Edinburgh, The Tun	Office	11.9	2.2
15 Salisbury, Churchill Way	Retail Warehouse	10.7	2.0
Total as at 30 September 2022		**415.2**	**78.0**

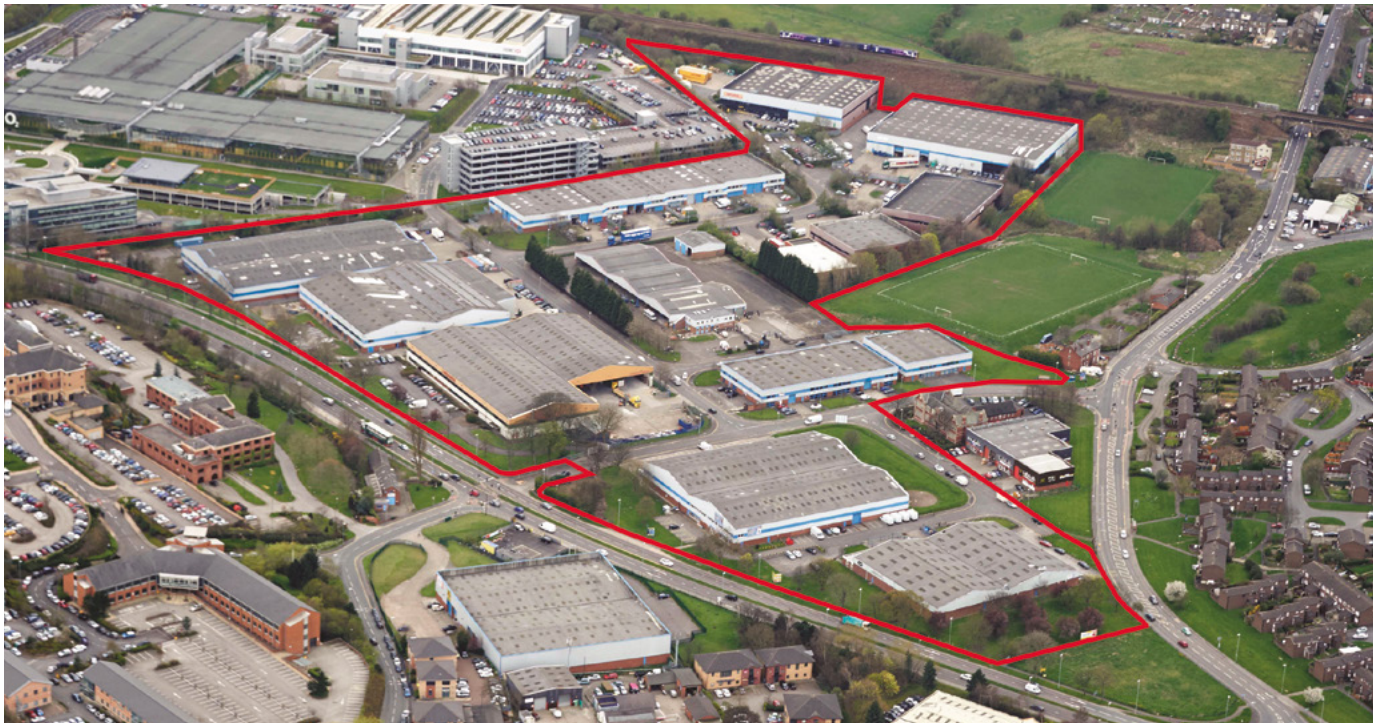
1 As per third party valuation reports unadjusted for IFRS lease incentive amounts.

	Sector weighting by value as at 30 September 2022		**Like-for-like net of capex capital growth for the six month period ended 30 September 2022**	
Sector weightings by value	SREIT[1]	Benchmark[1]	SREIT	Benchmark
South East	11.5%	20.9%		
Rest of UK	34.7%	12.6%		
Industrial	**46.2%**	**33.5%**	**(0.5%)**	**(4.5%)**
City	0.0%	3.6%		
Mid-town and West End	7.8%	6.6%		
Rest South East	4.4%	7.9%		
Rest of UK	15.7%	7.2%		
Offices	**27.9%**	**25.2%**	**(3.1%)**	**(2.9%)**
Retail warehouse	**11.8%**	**9.7%**	**3.5%**	**(0.3%)**
South East	0.7%	6.4%		
Rest of UK	7.3%	3.2%		
Standard retail	**7.9%**	**9.6%**	**(2.1%)**	**(3.5%)**
Standard retail by ancillary/single use				
– *Retail ancillary to main use*	*5.1%*	–		
– *Retail single use*	*2.8%*	–		
Other	**6.1%**	**16.8%**	**(0.5%)**	**(2.0%)**
Shopping centres	**–**	**1.8%**		
Unattributed indirects	**–**	**3.4%**		

1 Columns do not sum due to rounding.

	Regional weighting by value as at 30 September 2022	
	SREIT	Benchmark
Central London	7.8%	19.1%
South East excluding Central London	18.5%	34.1%
Rest of South	10.4%	15.5%
Midlands and Wales	21.6%	13.1%
North	39.5%	14.0%
Scotland	2.2%	4.1%
Northern Ireland	0.0%	0.2%

Investment Manager's Report
Continued



Millshaw Industrial Estate,
Leeds

Rental income is diverse and as at 30 September 2022 comprised 314 tenants, including the tenants of properties held by joint ventures. The largest and top fifteen tenants represent 6.51% and 32.15% respectively of the portfolio, calculated as a percentage of annual rent:

Top 15 tenants by annual rent	Annual rent £ million	% of total annual rent[1]
University of Law Limited	2.00	6.51%
Siemens Mobility Limited	1.22	3.97%
Buckinghamshire New University	1.15	3.75%
The Secretary of State	0.59	1.92%
Matalan Retail Limited	0.57	1.86%
Express Bi Folding Doors Limited	0.54	1.76%
TJX UK t/a HomeSense	0.51	1.66%
Jupiter Hotels Limited	0.46	1.50%
Premier Inn Hotels Limited	0.42	1.37%
Lidl Great Britain Limited	0.42	1.37%
Schneider Electric Limited	0.41	1.34%
Ingeus (UK) Limited	0.41	1.34%
Wickes Building Supplies Limited	0.40	1.30%
Balfour Beatty Group Limited	0.39	1.27%
Morgan Sindall Construction & Infrastructure Limited	0.38	1.24%
Total as at 30 September 2022	**9.87**	**32.15%**

1 Column does not sum due to rounding.

TRANSACTIONS

1

Manchester, St. Ann's House
(Mixed-Use Office and Retail)

St. Ann's House in Manchester was acquired on 27 May 2022 for a gross headline price of £14.7 million, reflecting a net initial yield of 7.8%, a reversionary yield of 9.1% and a low average capital value of £283 per sq ft. The mixed-use office and retail asset generates £1.22 million per annum of headline rent compared with an ERV of £1.27 million.

The freehold, 51,885 sq ft building, is 97% occupied by ERV and comprises 40,277 sq ft of office space over five upper floors with five retail units at the ground floor level and ancillary basement space. It is prominently located on St. Ann's Square, near to the prime retail core. St. Ann's Square features a listed church, the Royal Exchange theatre, a mix of office occupiers and high-quality luxury retail as well as leisure operators. The building benefits from its close proximity to two tram stations.

The office space is fully let to four office tenants at an average rent of £18.48 per sq ft, with the potential to increase rental levels through refurbishment and improving sustainability performance. There is also the opportunity to enhance income by offering fitted out office space.

The appeal of St. Ann's Square to high quality luxury retailers is reflected in the current tenant mix with complementary retailers located in close proximity. During the pandemic rents were rebased by the previous landlord and there are currently no arrears.

At acquisition, the tenants were Watches of Switzerland, Russell & Bromley and Space NK. Since acquisition, we have let a unit to David M Robinson Limited, a north-west based retailer of luxury watches and jewellery, for £70,000 per annum, or £76.75 per sq ft, which is in line with ERV and reflects 69% of the pre-pandemic rent on a per square foot basis.

The weighted average unexpired lease term is 2.8 years to earliest termination and 5.3 years to lease expiries. 58% of the property by floor area currently has an EPC rating of 'B' with the remainder rated 'C'.

The strategy is to undertake a rebranding of the building, introduce additional amenities for the offices such as bike and shower facilities and refurbish the property as floors become available with a focus on improving sustainability performance. This will increase the rental tone of the offices. We will aim to leverage the close proximity of luxury jewellers and watch retailers to attract similar occupiers to the subject asset at higher rents.

2

Portsmouth, Southlink
(Industrial)

Southlink, a 26,975 sq ft single let industrial asset in Portsmouth, was sold on 24 June 2022 for £6.5 million. The price compares with the 31 March 2022 independent valuation of £4.9 million and reflects a net initial yield of 3.2%.

Situated within the Walton Road Industrial area, Southlink was acquired in July 2004. The asset produced a net rent of £225,000 per annum with a lease term of 2.4 years.

Based on the disposal price, the asset has generated an ungeared total return of 13.2% per annum since acquisition, compared with the All Property MSCI Benchmark for the same period of 6.8% per annum, and MSCI All Industrial for the same period of 10.6% per annum.

Investment Manager's Report
Continued

ACTIVE ASSET MANAGEMENT

1

Manchester, Cheadle, Stanley Green Trading Estate
(Industrial)

Asset overview and performance
Stanley Green Trading Estate in Cheadle, Manchester was acquired in December 2020 for £17.3 million. The asset comprises 150,000 sq ft of trade counter, self-storage and warehouse accommodation across 14 units on a nine acre site, with an adjoining 3.4 acre development site. The site was acquired with a historic planning consent for 48,000 sq ft of trade counter and warehouse space, which we have subsequently increased to 80,000 sq ft.

As at 30 September 2022 the valuation was £29.5 million, reflecting a net initial yield of 3.1% and a reversionary yield of 3.6% (4.7% and 5.8% respectively excluding development land). Over the interim period the asset delivered a total return of 3.9% which compared with MSCI All Industrial over the same period of -3.2%.

Asset strategy
The strategy over the interim period was to crystallise higher rents, develop an 80,000 sq ft, operational Net Zero Carbon ('NZC') scheme on the adjoining 3.4 acre site and begin marketing to pre-let the new accommodation.

Key activity
- The speculative development of 11 warehouse and trade units is progressing with £4.9 million of capital expenditure incurred to the period end, with a further £3.8 million allocated. The development is on budget and scheduled to complete in early 2023. The target rental income is £1.3 million per annum, or £16.00 per sq ft. Pre-lettings are in legal negotiations with prospective tenants relating to 28% of the floor space, on terms that exceed the original underwriting assumptions.
- Negotiations are progressing with a number of occupiers to re-gear their leases across the existing trading estate which should support continued income growth.

2

Chippenham, Langley Park Industrial Estate
(Industrial)

Asset overview and performance
Langley Park Trading Estate in Chippenham was acquired in December 2020 for £19.3 million and comprises a multi-let industrial estate comprising 400,000 sq ft of warehouse and ancillary office accommodation on a large site of 28 acres located close to Chippenham town centre. As at 30 September 2022, the valuation of £26.8 million reflected a net initial yield of 6.9% and a reversionary yield of 7.3%. Over the period the asset delivered a total return of -13.6%, which compared with the MSCI All Industrial Benchmark over the same period of -3.2%.

Asset strategy
The strategy over the period was to drive net income growth, the average unexpired lease term, and quality of accommodation across the estate.

Key activity
- Siemens Mobility Limited ('Siemens') rent review completed at £1.2 million per annum or £4.64 per sq ft, reflecting a 26% increase in contracted rental income. Following completion of the rent review, which was backdated to June 2021, Siemens became the Company's second largest tenant.
- A new ten year lease renewal without breaks has completed with IXYS UK Westcode Limited ('IXYS'), the UK subsidiary of Littelfuse, a global manufacturer which has provided a parent company guarantee. The rent is £465,000 per annum, or £5.50 per sq ft, reflecting a 31% increase over the current contracted rent of £355,000 per annum. IXYS receive 12 months' rent free which ends in December 2023, and will receive a contribution to repair works up to the value of £250,000 if undertaken within two years of lease completion. The lease includes a rent review at year five to the higher of open market value or RPI, with a collar of 1% per annum and a cap of 5% per annum.
- The next phase of the business plan at Langley Park is to consider longer term development plans which could involve the creation of new space for existing tenants. Any development of new warehouse units would be to an operational Net Zero Carbon ('NZC') standard and a pre-planning application to develop 130,000 sq ft of space has been submitted to Wiltshire County Council.

Set out below are examples of ongoing active management initiatives that should support continued outperformance of the underlying portfolio from both a financial and sustainability perspective.

3

Valley Road Industrial Estate, Birkenhead
(Industrial)

Asset overview and performance
Valley Road Industrial Estate in Birkenhead was acquired in November 2021 for £11.4 million, which reflected a net initial yield of 6.8%, a reversionary yield of 7.8% and a low average capital value of £60 per sq ft. The ten-acre estate comprises 190,000 sq ft of warehouse space and ancillary offices across 15 units. The estate is located close to Junction 1 of the M53 and features a manned secure access, low site cover and good circulation. As at 30 September 2022, the valuation of £13.0 million reflected a net initial yield of 4.8% and a reversionary yield of 6.7%. Over the period the asset delivered a total return of 1.7%, which compared with the MSCI All Industrial Benchmark over the same period of -3.2%.

Asset strategy
The strategy during the period was to let the void warehouse space at or above ERV and finalise a plan to develop the ancillary offices to enable them to be let.

Key activity
- A new five-year lease has been agreed with Balfour Beatty Group Limited for six units totalling 10,577 sq ft, at a total rent of £84,616 per annum, or £8.00 per sq ft. At year five, the lease includes a tenant only break option and a rent review to the higher of open market value or CPI, with a collar of 1.5% and a cap of 3.5% per annum. This letting is in line with the 30 September 2022 ERV.
- A new five-year lease has been agreed with Transport for Wales Rail Ltd for a 6,275 sq ft unit at £44,000 per annum, or £7.01 per sq ft, in line with the 30 September 2022 ERV.
- A new five-year lease has completed with SM Service Centre Limited for a 1,605 sq ft unit at £13,700 per annum, or £8.54 per sq ft, in line with the 30 September 2022 ERV.
- As a result of the above, the warehouse element of the site is fully let, completing a key objective of the business plan at acquisition.

4

106 Oxford Road, Uxbridge
(Office being used as a university)

Asset overview and performance
106 Oxford Road in Uxbridge is let to the Company's third largest tenant, the Buckinghamshire New University ('BNU'), generating £1.15 million per annum with a tenant break option in November 2023. BNU is a public university with campuses in High Wycombe, Aylesbury and the subject asset, where teaching is focussed on nursing and healthcare, including a range of working wards, simulation labs and operating theatres. As at 30 September 2022, the valuation of £13.1 million reflected a net initial yield of 8.24% and a reversionary yield of 6.8%, due to the independent valuers adopting an office rental value of £950,000. Over the period the asset delivered a total return of -8.4%, which compared with the MSCI All Office Benchmark over the same period of -1.1%. This was due to risk associated with the tenant break option.

Asset strategy
The strategy during the period was to understand the tenant's longer term strategy and mitigate the risk of the tenant break option in November 2023.

Key activity
- Lease variation completed on 25 October 2022 that removes the tenant break option in November 2023 and provides certainty of income until lease expiry in November 2028. The tenant received nine months rent free, and the rent increases from £1.15 million per annum to a guaranteed £1.3 million in January 2024, becoming the Company's second largest tenant. The independent valuer estimated that the value on completing the lease regear, net of the rent free, would be in the region of £14 to £14.5 million.
- Having completed the regear, we are exploring the potential for a longer term lease commitment in return for the Company carrying out more significant sustainability improvements to the building, which would be in line with BNUs own ESG-related commitments.

Investment Manager's Report
Continued

Sustainability and Responsible Investment
The Board and Schroders Capital Real Estate believe that a successful sustainable investment programme should deliver enhanced returns to investors, improved business performance to tenants and tangible positive impacts to local communities, the environment and wider society.

Offering occupiers resource-efficient and flexible space is critical to ensure our investments are fit for purpose and sustain their value over the long term. As a landlord, we have the opportunity to help reduce running costs for our occupiers, increase employee productivity and wellbeing, and contribute to the prosperity of a location through building design and public realm.

The 80,000 sq ft warehouse development under construction at Stanley Green, Cheadle is an example of our sustainability led approach. The scheme will be delivered to BREEAM Excellent, EPC A+ rating and operational NZC specification and expected to be the first to achieve this status in the North West. Operational NZC will be driven by the use of photovoltaics, recycled materials, insulated cladding to mitigate heat loss and installation of LED lighting. Electric vehicle charging and cycle storage facilities will be installed to promote active travel. As part of the Investment Manager's Sustainable Refurbishment and Redevelopment guide, the contractor is encouraged to use local suppliers to boost local employment. Eight apprenticeship schemes have been undertaken and work experience opportunities are being advertised to local students. Local community projects and charities have been supported through donations and industry talks.

Active management at Haywood House, an office in Cardiff, has led to occupancy increasing from 77% to 93% during the period, at higher rents and with improved sustainability performance. Following a refurbishment of part of the asset, where we installed a dedicated variable refrigerant flow ('VRF') air-conditioning system and LED lighting, increasing the EPC rating from an 'E' to a 'B', we moved an existing tenant from elsewhere in the property to this space at a rent 45% ahead of the ERV at the beginning of the period. The space vacated has now been let to the University of Wales at a rent 9% ahead of the ERV at the beginning of the period.

As previously noted, a continuing focus on sustainability will be a defining characteristic of our future strategy. As described in the Chairman's Statement, progress has been made over the period to codify this evolution. In addition, during the period we announced our 'Pathway to Net Zero Carbon', this includes the following commitments:
- Operational whole buildings emissions to be aligned to a 1.5°C pathway by 2030.
- Embodied emissions for all new developments and major renovations to be net zero by 2030.
- Operational Scope 1 and 2 (landlord) emissions to be net zero by 2030.
- Operational and embodied whole building (scope 1, 2 and 3 – landlord and tenant) emissions to be net zero by 2040.

These are ambitious targets, as our strategy to acquire and upgrade existing buildings means a proportion of the portfolio will be undergoing a transition whilst sustainability performance is improved.

Finance
The Company has two loan facilities, a £129.6 million term loan with Canada Life and a £75.0 million RCF with Royal Bank of Scotland International ('RBSI'), of which £46.3 million was drawn at the period end. The RBSI loan has an interest rate cap for £30.5 million that comes into effect if GBP 3 month SONIA exceeds 1.5%. The cap became effective in August and expires on 3 July 2023. Properties with combined values of £314.4 million and £140.4 million are secured against the Canada Life and RBSI loan facilities respectively.

In addition to the properties secured against the Canada Life and RBSI loan facilities, there are unsecured properties with a value of £77.3 million and cash of £8.9 million[1]. This results in a loan to value ratio, net of cash, of 31.4% at an average interest cost of 2.7% (including the benefit of the cap), and a long weighted maturity profile of 11.2 years.

£129.6 million term loan with Canada Life
The Company has significant headroom with both loan to value ('LTV') and interest cover ratio ('ICR') covenants as summarised below.

Lender	Loan (£m)	Maturity	Total interest rate (%)	Asset value (£m)	Cash (£m)	LTV ratio (%)[6]	LTV ratio covenant (%)[6]	ICR (%)[7]	ICR covenant (%)[7]	Projected ICR (%)[4]	Projected ICR covenant (%)[4]
Facility A	64.8	15/10/2032	2.4								
Facility B	64.8	15/10/2039	2.6								
Canada Life Term Loan	129.6		2.5[5]	314.4	0.0	41.2	65	530	185	502	185

- Net LTV on the secured assets against this loan is 41.2%. On this basis the properties charged to Canada Life could fall in value by 37% prior to the 65% LTV covenant being breached;
- The interest cover ratio is 530% based on actual net rents for the quarter to 30 September 2022. A 65% fall in net income could be sustained prior to the loan covenant of 185% being breached;
- The projected interest cover ratio is 502% based on projected net rents for the year to 30 September 2023. A 58% fall in net income could be sustained prior to the loan covenant of 185% being breached; and
- After utilising available cash and uncharged properties, the valuation and actual net rents could fall by 53% and 71% respectively prior to either the LTV or interest cover ratio covenants being breached.

£75.0 million revolving credit facility ('RCF') with RBSI

The Company has headroom with both LTV and ICR covenants as summarised below:

Lender	Loan/amount drawn (£m)	Maturity	Total interest rate (%)	Asset value (£m)	LTV ratio (%)[6]	LTV ratio covenant (%)[6]	Projected ICR (%)[8]	Projected ICR ratio covenant (%)[8]
RBSI RCF	75.0/46.3[9]	06/06/2027	3.8[10]	140.4	33.0	65[11]	310	250

- Net LTV on the secured assets against this loan is 33.0%. On this basis the properties charged to RBSI could fall in value by 49% prior to the 65% LTV covenant being breached;
- The projected interest cover ratio is 310% based on actual net rents for the quarter to 30 September 2022. A 19% fall in net income could be sustained prior to the loan covenant of 250% being breached, however, five additional assets are in the process of being secured against the RBSI loan facility which will increase the projected interest cover ratio materially;
- After utilising available cash and uncharged properties, the valuation and actual net rents could fall by 74% and 54% respectively prior to either the LTV or projected interest cover ratio covenants being breached; and
- Replacement hedging options are being considered for the interest rate cap that expires in July 2023.

1 Cash held at the balance sheet date includes £700,000 of cash that is held within the joint ventures.
2 Loan balance divided by the property values as at 30 September 2022.
3 For the quarter preceding the Interest Payment Date ('IPD'), (rental income received – void rates, void service charge and void insurance)/interest paid.
4 The projected ICR covenant for the contracted four quarters following the IPD deducting assumed non-recoverable costs (void rates, void service charge and void insurance)/interest paid, based on the average of the past four quarters.
5 Fixed total interest rate for the loan term.
6 Loan balance divided by the property values as at 30 September 2022.
7 For the quarter preceding the IPD, (rental income received – void rates, void service charge and void insurance)/interest paid.
8 The projected ICR covenant of the contracted four quarters following the IPD deducting assumed non-recoverable costs (void rates, void service charge and void insurance)/interest paid) based on the average of the past four quarters.
9 Facility drawn as at 30 September 2022 from a total available facility of £46.3 million.
10 Total interest rate as at 30 September 2022 comprising a three-month SONIA rate of 2.19% and the margin of 1.60% at a LTV below 60%. Should the LTV be above 65%, the margin increases to 1.90%.
11 LTV ratio covenant of 65% for years one to three, then 60% for years four and five.

Outlook

Despite a volatile and uncertain economic backdrop, good progress has been achieved over the period delivering on the strategy, resulting in a positive NAV total return, sustained outperformance of the underlying portfolio and a further increase in the dividend level, which is fully covered.

Higher yielding acquisitions in sectors and regions with stronger occupier demand, sustainability led value add investments into the existing portfolio, and an active approach to asset management should lead to further income growth. We have a robust and diverse tenant base that we expect to be resilient through a recessionary period.

The strength of the balance sheet, with long term, mainly fixed rate, debt is a key competitive advantage and there will be limited impact on the Company from rising interest rates.

We are in a challenging period with persistent inflation leading to higher interest rates, market volatility and lower levels of economic growth. Whilst valuations will decline, the combination of a clear strategy with increased emphasis on sustainability, a diversified portfolio and a strong balance sheet should enable us to maintain relative outperformance compared with our peers and continue delivering an attractive and growing income return.

Nick Montgomery
Fund Manager

15 November 2022

Responsibility Statement of the Directors in respect of the Interim Report

The Board is responsible for preparing the Interim Report and Consolidated Financial Statements.

The Board is also responsible for the Company's system of risk management and internal controls, and for reviewing its effectiveness.

Principal risks and uncertainties
The principal risks and uncertainties with the Company's business relate to the following risk categories: investment policy and strategy; implementation of investment strategy, economic and property market; custody; gearing and leverage; accounting, legal and regulatory; valuation; service provider; and health and safety. A detailed explanation of the risks and uncertainties in each of these categories can be found on pages 26 to 29 of the Company's published Annual Report and Consolidated Financial Statements for the year ended 31 March 2022.

Since the Company's Annual Report and Consolidated Financial Statements was published in June 2022, the Board has noted that property market risk and interest rate risk have increased materially. Other than as outlined above, the principal risks and uncertainties have not materially changed during the six months ended 30 September 2022.

Going concern
The Board believes it is appropriate to adopt the going concern basis in preparing the financial statements. A comprehensive going concern statement setting out the reasons the Board considers this to be the case is set out in note 1 on page 21.

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 30 September 2022. Related party transactions are disclosed in note 14 of the condensed consolidated interim financial statements.

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

Alastair Hughes
Chairman

15 November 2022

Condensed Consolidated Statement of Comprehensive Income

	Notes	Six months to 30/09/2022 £000 (unaudited)	Six months to 30/09/2021 £000 (unaudited)	Year to 31/03/2022 £000 (audited)
Rental income		**12,729**	11,832	23,859
Other income		**76**	270	558
Property operating expenses		**(1,077)**	(806)	(1,919)
Net rental and related income, excluding joint ventures		**11,728**	11,296	22,498
Share of total net income in joint ventures		***2,063***	*1,583*	*2,740*
Net rental and related income, including joint ventures		***13,791***	*12,879*	*25,238*
Gain on disposal of investment property		**1,513**	–	3,165
Net unrealised valuation (loss)/gain on investment property	6	**(3,718)**	24,689	66,536
Expenses				
Investment management fee	2	**(1,561)**	(1,397)	(2,994)
Valuers' and other professional fees		**(901)**	(759)	(1,547)
Administrator's fee	2	**(37)**	(60)	(82)
Auditor's remuneration		**(100)**	(102)	(190)
Directors' fees		**(92)**	(75)	(157)
Other expenses		**(103)**	(161)	(442)
Total expenses		**(2,794)**	(2,554)	(5,392)
Net operating profit before net finance costs		**6,729**	33,431	86,807
Interest receivable		**1**	–	–
Finance costs		**(2,418)**	(2,041)	(4,139)
Refinancing costs		**(247)**	–	–
Net finance costs		**(2,664)**	(2,041)	(4,139)
Share of total net income in joint ventures	7	**2,063**	1,583	2,740
Share of net valuation (loss)/profit in joint ventures	7	**(3,446)**	224	3,960
Profit before taxation		**2,682**	33,197	89,368
Taxation	4	**–**	–	–
Profit and total comprehensive income for the period attributable to the equity holders of the parent		**2,682**	33,197	89,368
Basic and diluted earnings per share		**0.5p**	6.8p	18.2p

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

Condensed Consolidated Statement of Financial Position

	Notes	**30/09/2022 £000 (unaudited)**	30/09/2021 £000 (unaudited)	31/03/2022 £000 (audited)
Investment property	6	**445,131**	377,301	433,486
Investment in joint ventures	7	**80,254**	79,964	83,700
Non-current assets		**525,385**	457,265	517,186
Trade and other receivables	8	**18,378**	19,117	16,169
Cash and cash equivalents	9	**8,236**	10,626	11,601
Current assets		**26,614**	29,743	27,770
Total assets		**551,999**	487,008	544,956
Issued capital and reserves		**403,121**	359,472	408,286
Treasury shares		**(37,101)**	(36,103)	(36,103)
Equity		**366,020**	323,369	372,183
Interest-bearing loans and borrowings	10	**174,973**	153,510	161,791
Lease liability	6	**1,860**	1,987	1,987
Non-current liabilities		**176,833**	155,497	163,778
Trade and other payables	11	**9,146**	8,142	8,995
Current liabilities		**9,146**	8,142	8,995
Total liabilities		**185,979**	163,639	172,773
Total equity and liabilities		**551,999**	487,008	544,956
Net Asset Value per ordinary share	12	**74.8p**	65.8p	75.8p

The financial statements on pages 17–20 were approved at a meeting of the Board of Directors held on 15 November 2022 and signed on its behalf by:

Alastair Hughes
Chairman

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

Condensed Consolidated Statement of Changes in Equity

For the period from 1 April 2021 to 30 September 2021 (unaudited)

	Notes	Share premium £000	Treasury share reserve £000	Revenue reserve £000	Total £000
Balance as at 31 March 2021		219,090	(35,967)	113,721	296,844
Profit for the period		–	–	33,197	(33,197)
Dividends paid	5	–	–	(6,536)	(6,536)
Share buyback	12	–	(136)	–	(136)
Balance as at 30 September 2021		219,090	(36,103)	140,382	323,369

For the year ended 31 March 2022 (audited) and for the period from 1 April 2022 to 30 September 2022 (unaudited)

	Notes	Share premium £000	Treasury share reserve £000	Revenue reserve £000	Total £000
Balance as at 31 March 2021		219,090	(35,967)	113,721	296,844
Profit for the year		–	–	89,368	89,368
Dividends paid	5	–	–	(13,893)	(13,893)
Share buyback		–	(136)	–	(136)
Balance as at 31 March 2022		219,090	(36,103)	189,196	372,183
Profit for the period		**–**	**–**	**2,682**	**2,682**
Dividends paid	5	**–**	**–**	**(7,847)**	**(7,847)**
Share buyback	12	**–**	**(998)**	**–**	**(998)**
Balance as at 30 September 2022		**219,090**	**(37,101)**	**184,031**	**366,020**

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

Condensed Consolidated Statement of Cash Flows

	Six months to 30/09/2022 £000 (unaudited)	Six months to 30/09/2021 £000 (unaudited)	Year to 31/03/2022 £000 (audited)
Operating activities			
Profit for the period/year	**2,682**	33,197	89,368
Adjustments for:			
Profit on disposal of investment property	**(1,513)**	–	(3,165)
Net valuation loss/(gain) on investment property	**3,718**	(24,689)	(66,536)
Share of loss/(profit) of joint ventures	**1,383**	(1,807)	(6,700)
Net finance cost	**2,664**	2,041	4,139
Operating cash generated before changes in working capital	**8,934**	8,742	17,106
(Increase)/decrease in trade and other receivables	**(2,209)**	(2,072)	859
Increase in trade and other payables	**391**	244	1,098
Cash generated from operations	**7,116**	6,914	19,063
Finance costs paid	**(2,158)**	(1,918)	(3,847)
Interest received	**1**	–	–
Net cash from operating activities	**4,959**	4,996	15,216
Investing activities			
Net proceeds from the sale of investment property	**6,413**	–	12,835
Additions to investment property	**(5,245)**	(836)	(4,924)
Acquisitions of investment property	**(15,146)**	–	(19,850)
Additions to joint ventures	**–**	(620)	(620)
Net income distributed from joint ventures	**1,663**	1,583	2,598
Net cash (used in)/from investing activities	**(12,315)**	127	(9,961)
Financing activities			
Share buyback	**(998)**	(136)	(136)
Additions to external debt	**13,600**	–	21,200
Repayment of external debt	**–**	–	(13,000)
Loan arrangement fees paid	**(764)**	–	–
Dividends paid	**(7,847)**	(6,536)	(13,893)
Net cash from/(used in) financing activities	**3,991**	(6,672)	(5,829)
Net decrease in cash and cash equivalents for the period/year	**(3,365)**	(1,549)	(574)
Opening cash and cash equivalents	**11,601**	12,175	12,175
Closing cash and cash equivalents	**8,236**	10,626	11,601

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

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 2022 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 2022. 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 2022. The financial statements for the year ended 31 March 2022 have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board, and interpretations issued by the International Financial Reporting Interpretations Committee.

Going concern
The Directors have examined significant areas of possible financial risk, including the non-collection of rent and service charges; potential movements in property valuations; have reviewed 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 in a rising interest rate macroeconomic environment.

Overall, after utilising available cash, excluding the cash undrawn against the RBSI facility, and uncharged properties and units in Joint Ventures, and based on the reporting period to 30 September 2022, property valuations would have to fall by 37% before the relevant Canada Life Loan to Value covenants were breached, and actual net rental income would need to fall by 65% before the interest cover covenants were breached.

The Company's office sector weighting has remained just below its minimum requirement of 20% as at the interim period end. The Company has received a waiver from Canada Life on this until June 2023.

Furthermore, the properties charged to RBSI could fall in value by 49% prior to the 65% LTV covenant being reached and, based on actual net rents for the quarter to September 2022, a 46% fall in net income could be sustained prior to the RBSI loan covenant of 185% being breached.

As at the period end, the undrawn capacity of the RBSI facility was £28.7 million. This facility is an efficient and flexible source of funding due to its ability to be repaid and redrawn as often as required. The facility was refinanced in June 2022 with a new five-year term to 2027 and with an increase in the amount that can be drawn from £52.5 million to £75 million.

The Board and Investment Manager continue to closely monitor the Company's rental collection in a continually changing macroeconomic environment and the requirement to distribute dividends in accordance with the REIT regulations. All future dividends will be kept under constant review to ensure the Company's liquid resources will be sufficient to cover any working capital requirements.

The Directors have not identified any matters which would cast significant doubt on the Group's ability to continue as a going concern for the next 12 months from the date of approval of the financial statements.

The Directors have satisfied themselves that the Group has adequate resources to continue in operational existence for at least the next 12 months from the date of approval of the financial statements. After due consideration, the Board believes it is appropriate to adopt the going concern basis in preparing the interim financial statements.

Use of estimates and judgements
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. 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 key judgements and estimates used by management as disclosed in the last Annual Report and financial statements for the year ended 31 March 2022.

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 the Group's revenue. 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 at currently one twelfth of the aggregate of 0.9% of the Net Asset Value ("NAV") of the Company. The Investment Management Agreement can be terminated by either party on not less than twelve months written notice or on immediate notice in the event of certain breaches of its terms or the insolvency of either party.

The fee covers all of the appointed services of the Investment Manager and there are standard provisions for the reimbursement of expenses. Additional fees can be agreed for out-of-scope services on an ad hoc basis.

The current tiered fee structure is as follows:

NAV	Management fee percentage per annum of NAV
<£500 million	0.9%
£500 million – £1 billion	0.8%
£1 billion+	0.7%

Notes to the Interim Report
Continued

2. Material agreements continued
The total charge to the Consolidated Statement of Comprehensive Income during the period was £1,561,000 (year to 31 March 2022: £2,994,000; six months to 30 September 2021: £1,397,000). At the period end no amount was outstanding (31 March 2022: £nil; 30 September 2021: £nil).

Langham Hall (Guernsey) Limited and Langham Hall UK Depositary LLP provided Administration, Designated Manager and Depositary services to the Group, with effect from 1 October 2021. The Administrator was entitled to an annual fee equal to £57,000 of which no sum (31 March 2022: £37,000; 30 September 2021: £nil) was outstanding at the period end.

Schroder Investment Management Limited also provides with effect from 1 October 2021 company secretarial services to the Company with an annual fee equal to £50,000. Company secretarial fees for the period were £25,000 (year to 31 March 2022: £25,000; six months to 30 September 2021: £nil). At the period end £25,000 was outstanding (31 March 2022: £25,000; 30 September 2021: £nil).

3. 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 £2,682,000 (31 March 2022: profit of £89,368,000; 30 September 2021: profit of £33,197,000) and the weighted average number of ordinary shares in issue during the period of 490,784,091 (31 March 2022: 491,085,850 and 30 September 2021: 491,086,039).

4. Taxation

	Six months to 30/09/2022 £000	Six months to 30/09/2021 £000	Year to 31/03/2022 £000
Tax expense in the period/year	**–**	–	–
Reconciliation:			
Profit before tax	**2,682**	33,197	89,368
Effect of:			
Tax using the UK corporation tax rate of 19%	**510**	6,307	16,980
Revaluation loss/(profit) not taxable	**706**	(4,691)	(12,642)
Share of revaluation loss/(profit) of joint ventures not taxable	**263**	(43)	(1,273)
Profit on disposal of investment property not taxable	**(287)**	–	(601)
UK REIT exemption on non-capital income	**(1,192)**	(1,573)	(2,464)
Current tax expense in the period/year	**–**	–	–

SREIT has elected to be treated as a UK real estate investment trust ('REIT'). The UK REIT rules exempt the profits of SREIT and its subsidiaries' (the 'Group') UK property rental business from corporation tax. Gains on UK properties are also exempt from tax, provided they are not held for trading or sold in the three years after completion of development. The Group is otherwise subject to corporation tax.

As a REIT, SREIT is required to pay Property Income Distributions equal to at least 90% of the Group's exempted net income. To retain UK REIT status there are a number of conditions to be met in respect of the principal company of the Group, the Group's qualifying activity and its balance of business. The Group continues to meet these conditions.

5. Dividends paid

In respect of	**Number of ordinary shares**	**Rate (pence)**	**01/04/2022 to 30/09/2022 £000**
Q/e 31 March 2022 (dividend paid 30 June 2022)	**491.08 million**	**0.795**	**3,904**
Q/e 30 June 2022 (dividend paid 19 August 2022)	**491.02 million**	**0.803**	**3,943**
		1.598	**7,847**

In respect of	Number of ordinary shares	Rate (pence)	01/04/2021 to 30/09/2021 £000
Q/e 31 March 2021 (dividend paid 25 June 2021)	491.08 million	0.656	3,221
Q/e 30 June 2021 (dividend paid 13 August 2021)	491.08 million	0.675	3,315
		1.331	**6,536**

In respect of	Number of ordinary shares	Rate (pence)	01/04/2021 to 31/03/2022 £000
Q/e 31 March 2021 (dividend paid 25 June 2021)	491.08 million	0.656	3,221
Q/e 30 June 2021 (dividend paid 13 August 2021)	491.08 million	0.675	3,315
Q/e 30 September 2021 (dividend paid 17 December 2021)	491.08 million	0.726	3,565
Q/e 31 December 2021 (dividend paid 25 March 2022)	491.08 million	0.772	3,792
		2.829	**13,893**

A dividend for the quarter ended 30 September 2022 of 0.803 pence per share (totalling £3.93 million) was approved on 15 November 2022 and will be paid on 9 December 2022.

6. Investment property

For the period 1 April 2021 to 30 September 2021 (unaudited)

	Leasehold £000	Freehold £000	Total £000
Fair value as at 1 April 2021	36,376	315,400	351,776
Additions	–	836	836
Fair value leasehold adjustment	–	–	–
Net valuation gain on investment property	1,082	23,607	24,689
Fair value as at 30 September 2021	37,458	339,843	377,301

For the year 1 April 2021 to 31 March 2022 (audited)

	Leasehold £000	Freehold £000	Total £000
Fair value as at 1 April 2021	36,376	315,400	351,776
Additions	118	3,669	3,787
Acquisitions	–	19,850	19,850
Acquisition costs	–	1,138	1,138
Disposal of asset held at fair value	–	(9,600)	(9,600)
Fair value leasehold adjustment	(1)	–	(1)
Net unrealised valuation gain on investment property	3,300	63,236	66,536
Fair value as at 31 March 2022	**39,793**	**393,693**	**433,486**

For the period 1 April 2022 to 30 September 2022 (unaudited)

	Leasehold £000	**Freehold £000**	**Total £000**
Fair value as at 1 April 2022	**39,793**	**393,693**	**433,486**
Additions	**33**	**5,212**	**5,245**
Acquisitions	**–**	**14,289**	**14,289**
Acquisition costs	**–**	**857**	**857**
Net proceeds on disposal	**–**	**(6,413)**	**(6,413)**
Realised gain on disposal	**–**	**1,513**	**1,513**
Fair value leasehold adjustment	**(128)**	**–**	**(128)**
Net valuation gain/(loss) on investment property	**173**	**(3,891)**	**(3,718)**
Fair value as at 30 September 2022	**39,871**	**405,260**	**445,131**

The fair value of investment property, as determined by the valuer, totals £451,900,000 (31 March 2022: £440,100,000; 30 September 2021: £384,375,000). None of this sum was in relation to an unconditional exchange of contracts (31 March 2022: £nil; 30 September 2021: £nil).

As at 30 September 2022, £8,630,000 (31 March 2022: £8,602,000; 30 September 2021: £9,062,304) in connection with lease incentives is included within trade and other receivables. Furthermore, included in non-current liabilities is a sum of £1,860,000 (31 March 2022: £1,987,117; 30 September 2021: £1,987,395) relating to the fair value of the leasehold element of The Galaxy, Luton.

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 current editions of RICS Valuation – Global Standards, which incorporate the International Valuation Standards, and the RICS UK National Supplement 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 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.

Notes to the Interim Report
Continued

6. Investment property continued
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 year. 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 2022 (unaudited)

		Industrial	Retail (including retail warehouse)	Office	Other	Total
Fair value (£000)		**245,950**	**113,000**	**74,300**	**18,650**	**451,900**
Area ('000 sq ft)		**2,310**	**550**	**369**	**177**	**3,406**
Net passing rent psf per annum	Range Weighted average	**£0–£14.00** **£5.07**	**£0–£32.85** **£13.61**	**£4.93–£29.10** **£15.55**	**£1.00–£13.00** **£7.39**	**£0–£32.85** **£7.71**
Gross ERV psf per annum	Range Weighted average	**£2.50–£14.50** **£6.17**	**£7.74–£29.83** **£14.73**	**£10.00–£24.00** **£17.96**	**£2.10–£13.00** **£7.91**	**£2.10–£29.83** **£8.92**
Net initial yield[1]	Range Weighted average	**2.61%–7.74%** **4.46%**	**0%–10.43%** **6.21%**	**2.84%–11.68%** **7.24%**	**4.49%–8.43%** **6.58%**	**0%–11.68%** **5.44%**
Equivalent yield	Range Weighted average	**4.71%–8.49%** **5.49%**	**5.00%–9.37%** **6.37%**	**6.51%–9.24%** **7.81%**	**4.77%–9.23%** **7.28%**	**4.71%–9.37%** **6.42%**

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 2022 (audited)

		Industrial	Retail (including retail warehouse)	Office	Other	Total
Fair value (£000)		248,950	97,450	75,450	18,250	440,100
Area ('000 sq ft)		2,338	499	369	177	3,383
Net passing rent per sq ft per annum	Range Weighted average	£0–£14.00 £4.93	£0–£32.85 £12.77	£0–£29.10 £16.49	£1.00–£13.00	£0–£14.00 £4.93
Gross ERV per sq ft per annum	Range Weighted average	£2.50–£14.00 £5.93	£7.40–£29.83 £13.86	£10.00–£27.50 £17.80	£2.10–£13.00 £7.91	£2.10–£29.83 £8.50
Net initial yield[1]	Range Weighted average	3.29%–7.25% 4.34%	0%–9.26% 6.12%	4.33%–12.80% 7.56%	4.75%–8.55%	3.29%–7.25% 4.34%
Equivalent yield	Range Weighted average	4.20%–7.76% 5.17%	4.99%–9.97% 6.37%	5.79%–9.36% 7.50%	4.75%–9.21%	4.20%–7.76% 5.17%

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

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

6. Investment property continued

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

Estimated movement in fair value of investment properties at 30 September 2022 (unaudited)	**Industrial £000**	**Retail £000**	**Office £000**	**Other £000**	**Total £000**
Increase in ERV by 5%	**11,268**	**3,947**	**3,447**	**504**	**19,166**
Decrease in ERV by 5%	**(10,703)**	**(4,961)**	**(3,316)**	**(325)**	**(19,305)**
Increase in net initial yield by 0.25%	**(13,055)**	**(4,374)**	**(2,481)**	**(682)**	**(20,592)**
Decrease in net initial yield by 0.25%	**14,605**	**4,741**	**2,659**	**736**	**23,741**

Estimated movement in fair value of investment properties at 31 March 2022 (audited)	Industrial £000	Retail £000	Office £000	Other £000	Total £000
Increase in ERV by 5%	11,240	3,307	3,378	605	18,530
Decrease in ERV by 5%	(11,372)	(3,462)	(3,609)	(416)	(18,859)
Increase in net initial yield by 0.25%	(13,574)	(3,825)	(2,416)	(645)	(20,460)
Decrease in net initial yield by 0.25%	15,236	4,152	2,582	694	22,664

Estimated movement in fair value of investment properties at 30 September 2021 (unaudited)	Industrial £000	Retail £000	Office £000	Other £000	Total £000
Increase in ERV by 5%	9,209	2,611	3,878	738	16,436
Decrease in ERV by 5%	(9,055)	(3,420)	(3,788)	(455)	(16,718)
Increase in net initial yield by 0.25%	(9,507)	(3,390)	(2,771)	(598)	(16,266)
Decrease in net initial yield by 0.25%	10,549	3,664	2,967	643	17,823

7. Investment in joint ventures

For the period 1 April 2021 to 30 September 2021 (unaudited)

	£000
Opening balance as at 1 April 2021	79,120
Share of net rental income	1,583
Distributions received/receivable	(1,583)
Purchase of units in City Tower Unit Trust	620
Share of valuation profit	224
Closing balance as at 30 September 2021	79,964

For the year 1 April 2021 to 31 March 2022 (audited)

	£000
Opening balance as at 1 April 2021	79,120
Purchase of units in City Tower Unit Trust	620
Share of valuation profit	3,960
Closing balance as at 31 March 2022	83,700

For the period 1 April 2022 to 30 September 2022 (unaudited)

	£000
Opening balance as at 1 April 2022	**83,700**
Share of net rental income	**2,063**
Distributions received/receivable	**(2,063)**
Share of valuation loss	**(3,446)**
Closing balance as at 30 September 2022	**80,254**

Notes to the Interim Report
Continued

8. Trade and other receivables

	Six months to 30/09/2022 £000	Six months to 30/09/2021 £000	Year to 31/03/2022 £000
Rent receivable	**3,028**	4,072	3,608
Sundry debtors and prepayments	**6,720**	5,982	3,959
Lease incentives	**8,630**	9,063	8,602
	18,378	19,117	16,169

£3.78 million (gross of VAT) was owed by tenants as at the period end and a net bad debt provision of £0.6 million was made with regard to expected credit losses (31 March 2022: £0.9 million; 30 September 2021: £0.8 million).

When determining an appropriate bad debt provision the following key factors were considered: the tenants' rent deposits held; the tenants' covenants; financial strength and rent and service charge-paying histories; and the current trading situation of the tenants.

9. Cash and cash equivalents
As at 30 September 2022 the Group had £8.2 million in cash (31 March 2022: £11.6 million; 30 September 2021: £10.6 million).

10. Interest-bearing loans and borrowings
The Group has in place a £129.6 million loan facility with Canada Life and the loan is split into two equal tranches of £64.8 million as follows:
- Facility A matures in October 2032 and attracts an interest rate of 2.36%; and
- Facility B matures in October 2039 and attracts an interest rate of 2.62%.

As at the period end, the Canada Life interest cover ratio was 530% (31 March 2022: 650%; 30 September 2021: 563%) against a covenant of 185%; the forecast interest cover ratio was 502% (31 March 2022: 487%; 30 September 2021: 441%) against a covenant of 185%; and the Loan to Value ratio was 41.2% (31 March 2022: 40.1%; 30 September 2021: 44.6%) against a covenant of 65%.

The Canada Life facility has a first charge of security over all the property assets in the ring-fenced security pool which at 30 September 2022 contained properties valued at £314.4 million (31 March 2022: £322.9 million); 30 September 2021: £290.8 million). Various restraints apply during the term of the loan although the facility has been designed to provide significant operational flexibility.

At the period end the Group also had in place a £75 million revolving credit facility ('RCF') with the Royal Bank of Scotland with £46.3 million drawn down (31 March 2022: £32.7 million; 30 September 2021: £24.5 million). The facility carries an interest rate of a 1.65% margin plus three-month SONIA rate with a 0.62% non-utilisation fee. An interest rate cap for £30.5 million of the loan has been entered into and this comes in to effect if the three-month SONIA rate reaches 1.5%. The three-month SONIA rates exceeded 1.5% in August 2022.

As at the period end, the forecast interest cover ratio was 310% (31 March 2022: 538%; 30 September 2021: 1079%) against a covenant of 250%; and the Loan to Value ratio was 33.0% (31 March 2022: 24.0%; 30 September 2021: 18.3%) against a covenant of 65%.

The RBSI facility has a first charge security over all the assets held in SREIT No.2 Limited which at 30 September 2022 contained properties valued at £140.4 million (31 March 2022: £136.5 million); 30 September 2021: £133.8 million).

As at 30 September 2022, the Group has total loan balances drawn of £175.89 million and £0.9 million of unamortised arrangement fees (31 March 2022: £162.25 million and £0.5 million of unamortised arrangement fees; 30 September 2021: £154.09 million and £0.6 million of unamortised arrangement fees).

The fair value of the fixed-interest Canada Life debt is based on the present value of future cash flows discounted at a market rate of interest. As at 30 September 2022, the fair value of the Group's £129.59 million loan with Canada Life was £111.8 million (31 March 2022: £125.8 million; 30 September 2021: £129.34 million).

	Six months to 30/09/2022 £000	Six months to 30/09/2021 £000	Year to 31/03/2022 £000
Non-current liabilities			
Loan facilities	**175,885**	154,085	162,252
Unamortised arrangement fees	**(912)**	(575)	(461)
	174,973	153,510	161,791

11. Trade and other payables

	Six months to 30/09/2022 £000	Six months to 30/09/2021 £000	Year to 31/03/2022 £000
Deferred income	**4,145**	3,812	4,123
Rental deposits	**2,038**	1,480	1,744
Interest payable	**1,034**	807	840
Other payables and accruals	**1,929**	2,043	2,288
	9,146	8,142	8,995

12. NAV per ordinary share and share buyback

On 27 July 2022 the Company announced that it was recommencing a share buyback programme. Between 28 July 2022 and 15 September 2022 the Company purchased a sum of 1,969,725 shares for a sum of £1.0 million at an average price of 51 pence per share.

As a consequence of the buyback, the number of ordinary shares in issue fell from 491,080,301 to 489,110,576 during the reporting period.

The NAV per ordinary share is based on the net assets of £366,020,000 (31 March 2022: £372,183,000; 30 September 2021: £323,369,000) and 489,110,576 ordinary shares in issue at the Statement of Financial Position reporting date (31 March 2022: 491,080,301 and 30 September 2021: 491,080,301).

13. Financial risk factors

Since the Company's Annual Report and Consolidated Financial Statements was published in June 2022, the Board has noted that property market risk and interest rate risk have increased materially. Other than as outlined on page 16, the principal risks and uncertainties have not materially changed during the six months ended 30 September 2022.

The Board regularly reviews and agrees policies for managing all key risks.

14. Related party transactions

Material agreements are disclosed in note 2. The Directors' remuneration for the six-month to 30 September 2022, for services to the Group was £88,000 (31 March 2022: £156,927; 30 September 2021: £75,000) of which £nil was outstanding at period end (31 March 2022: £nil; 30 September 2021: £nil). Transactions with joint ventures are disclosed in note 7.

15. Capital commitments

At 30 September 2022 the Group had capital commitments for capital expenditure of £9.1 million (31 March 2022: £12.3 million; 30 September 2021: £4.1 million).

16. Post balance sheet events

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

EPRA Performance Measures

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

a. EPRA earnings and EPRA earnings per share
Represents total IFRS comprehensive income excluding realised and unrealised gains/losses on investment property and the share of net valuation profit/loss in joint ventures, divided by the weighted average number of shares.

	Six months to 30 September 2022 £000	Six months to 30 September 2021 £000	Year to 31 March 2022 £000
Earnings per IFRS income statement	**2,682**	33,197	89,368
Adjustments to calculate EPRA earnings:			
Profit on the disposal of investment property	**(1,513)**	–	(3,165)
Net unrealised valuation loss/(gain) on investment property	**3,718**	(24,689)	(66,536)
Refinancing costs	**247**	–	–
Share of valuation loss/(gain) in joint ventures	**3,446**	(224)	(3,960)
EPRA earnings	**8,580**	8,284	15,707
Weighted average number of Ordinary Shares	**490,784,091**	491,086,039	491,085,850
EPRA earnings per share (pence)	**1.7**	1.7	3.2

b. EPRA Net Reinstatement Value

	Six months to 30 September 2022 £000
IFRS equity attributable to shareholders	**366,020**
Adjustment in respect of real estate transfer taxes and costs	**35,680**
EPRA Net Reinstatement Value	**401,700**
Shares in issue at the end of the period	**489,110,576**
EPRA Net Reinstatement Value per share (pence)	**82.1**

c. EPRA Net Tangible Assets

	Six months to 30 September 2022 £000
IFRS equity attributable to shareholders	**366,020**
EPRA Net Tangible Assets	**366,020**
Shares in issue at the end of the period	**489,110,576**
EPRA Net Tangible Assets per share (pence)	**74.8**

d. EPRA Net Disposal Value

	Six months to 30 September 2022 £000
IFRS equity attributable to shareholders	**366,020**
Adjustment for the fair value of fixed interest rate debt	**17,735**
EPRA Net Disposal Value	**383,755**
Shares in issue at the end of the period	**489,110,576**
EPRA Net Disposal Value per share (pence)	**78.5**

Glossary

Alternative performance measure ('APM')	please see page 30 for full details of the key APMs used by the Company.
Annualised dividend yield	being the dividend paid during the period annualised and expressed as a percentage of the period end share price.
Articles	means the Company's articles of incorporation, as amended from time to time.
Companies Law	means the Companies (Guernsey) Law, 2008.
Company	is Schroder Real Estate Investment Trust Limited.
Directors	means the Directors of the Company as at the date of this document.
Disclosure Guidance and Transparency Rules	means the disclosure guidance and transparency rules contained within the FCA's Handbook of Rules and Guidance.
Earnings per share ('EPS')	is the profit after taxation divided by the weighted average number of shares in issue during the period.
Estimated rental value ('ERV')	is the Group's external valuers' reasonable opinion as to the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review at a property.
EPRA	is the European Public Real Estate Association.
EPRA Earnings per share	is the EPRA earnings divided by the weighted average number of shares in issue during the period.
EPRA Net Tangible Assets	is the IFRS equity attributable to shareholders adjusted for items including deferred tax, the fair value of financial instruments and intangible assets.
EPRA Net Disposal Value	is the IFRS equity attributable to shareholders adjusted for items including goodwill as a result of deferred tax and the fair value of interest rate debt.
EPRA Net Reinstatement Value	is the IFRS equity attributable to shareholders adjusted to represent the value required to rebuild the entity and assumes that no selling of assets takes place.
FCA	is the UK Financial Conduct Authority.
Gearing	is the Group's net debt as a percentage of adjusted net assets.
Group	is the Company and its subsidiaries.
Initial yield	is the annualised net rents generated by the portfolio expressed as a percentage of the portfolio valuation.
Interest cover	is the number of times Group net interest payable is covered by Group net rental income.
Listing Rules	means the listing rules made by the FCA under Part VII of the UK Financial Services and Markets Act 2000, as amended.
MSCI	(formerly Investment Property Databank or 'IPD') is a Company that produces an independent benchmark of property returns.
Net Asset Value ('NAV') and NAV per share	is the IFRS equity attributable to shareholders divided by the number of shares in issue at the period end.
NAV total return	is calculated taking into account both capital returns and income returns in the form of dividends paid to shareholders.
Net rental income	is the rental income receivable in the period after payment of ground rents and net property outgoings.
REIT	is a Real Estate Investment Trust.
Reversionary yield	is the anticipated yield which the initial yield will rise to once the rent reaches the estimated rental value.

Alternative Performance Measures

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

Dividend Cover – the ratio of EPRA Earnings (page 28) to dividends paid (note 5) in the period. Earnings excludes capital items such as revaluation movements on investments and gains or losses on the disposal of investment properties.

Dividend Yield – the dividends paid, expressed as a percentage, relative to the share price. To note that for six monthly interim periods this is annualised.

EPRA Earnings – earnings excluding all capital components not relevant to the underlying net income performance of the Company, such as the unrealised fair value gains or losses on investment properties and any gains or losses from the sales of properties. See page 28 for a reconciliation of this figure.

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

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

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

Gross LTV – the value of the external loans unadjusted for unamortised arrangement costs (note 10) expressed as a percentage of the market value of property investments as at the Balance Sheet date. The market value of property investments includes joint venture investments as per external valuations and have not been adjusted for IFRS lease incentive balances or the fair value of the head lease at Luton.

LTV Net of Cash – the value of the external loans unadjusted for unamortised arrangement costs (note 10) less cash held (note 9) expressed as a percentage of the market value of the property investments as at the Balance Sheet date. The market value of property investments includes joint venture investments as per external valuations and have not been adjusted for IFRS lease incentive balances or the fair value of the head lease at Luton.

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

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

Share Discount/Premium – the share price of the Company is derived from buyers and sellers trading their shares on the stock market. This price is not identical to the NAV per share of the underlying assets less liabilities of the Company. If the share price is lower than the NAV per share, the shares are trading at a discount. Shares trading above the NAV per share are said to be at a premium. The discount/premium is calculated as the variance between the share price as at the Balance Sheet date and the NAV per share (page 18) expressed as a percentage.

NAV total return – the return to shareholders calculated on a per share basis by adding dividends paid (note 5) in the period on a time-weighted basis to the increase or decrease in the NAV per share (page 18).

Corporate Information

Registered Address
Town Mills
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Directors (All Non-Executive)
Alastair Hughes (Chairman)
Lorraine Baldry (resigned 26 July 2022)
Graham Basham (resigned 15 November 2022)
Stephen Bligh
Priscilla Davies (appointed 7 June 2022)
Alexandra Innes (appointed 16 November 2022)

Investment Manager and Accounting Agent
Schroder Real Estate Investment Management Limited
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Administrator
Langham Hall (Guernsey) Limited
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Company Secretary
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The Company's shares are eligible for Individual Savings Accounts ('ISAs').

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