

Schroders
capital



***SCHRODER REAL ESTATE INVESTMENT
TRUST LIMITED***

**Interim Report and Condensed Consolidated
Financial Statements**

For the period 1 April 2023 to 30 September 2023

Strategy to drive income and value growth through active management, operational excellence and an integrated sustainability approach.

Future returns supported by an allocation to higher growth sectors, an experienced management team, and a peer group leading debt profile.

Net Asset Value (“NAV”)

We seek to deliver strong long-term NAV growth, measured against our financial Key Performance Indicators.

NAV	NAV per ordinary share
£296.0m	60.5p

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Assets

We actively manage assets to achieve optimal value, continuing to drive income and increase exposure to higher growth sectors.

Portfolio value	Number of tenants
£466.0m	322

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Why invest in Schroder Real Estate Investment Trust Limited (“SREIT”)

- 1 Good quality, diversified, higher yielding portfolio**
- 2 8.1%¹ dividend yield fully covered by earnings at 102%²**
- 3 Robust balance sheet provides dividend protection: 3.5% current average interest cost of which 91% is fixed rate or capped with 10.2 years average maturity**
- 4 Share price at a 32.1% discount to NAV offers compelling value³**
- 5 Thematic focus on sustainability – manufacture green premium, address embodied carbon**

Past performance is not a guide to future performance and may not be repeated. The value of the investments and the income from them may go down as well as up and investors may not get back the amount originally invested.

1 Based on share price of 41.1p as at close 30 September 2023 and an annualised latest quarterly dividend of 3.344pps.

2 Based on EPRA earnings and dividends paid for the six months ended 30 September 2023.

3 Based on share price of 41.1p as at close 30 September 2023 and NAV of 60.5pps as at 30 September 2023.



Dividends

We seek to deliver a growing, fully covered dividend, with our policy under active review from the Board.

Dividends paid during period

£8.2m

(2022: £7.8m)

Dividends paid per share during period

1.67pps

(2022: 1.60pps)

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Sustainability

Sustainability is embedded in our investment process focusing on our three core pillars of People, Planet and Place.

Reduction in whole building operational GHG intensity

-19%*

First in GRESB peer group



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* As at 31 March 2023

Overview

Performance Summary

Property portfolio

	As at 30 September 2023	As at 30 September 2022	As at 31 March 2023
Value of Property Assets and Joint Venture Assets	£466.0m	£532.0m	£470.4m
Annualised rental income	£28.8m	£30.7m	£29.3m
Estimated open market rental value	£37.9m	£35.4m	£37.8m

Property performance

	Six months to 30 September 2023	Six months to 30 September 2022	Year to 31 March 2023
Underlying portfolio total return	1.9%	1.8%	(7.9%)
MSCI Benchmark total return	(0.6%)	(1.2%)	(13.5%)
Underlying portfolio income return	3.1%	2.8%	6.0%
MSCI Benchmark income return	2.3%	1.9%	4.1%

Financial summary

	Six months to 30 September 2023	Six months to 30 September 2022	Year to 31 March 2023
Net Asset Value ("NAV")	£296.0m	£366.0m	£300.7m
NAV per Ordinary Share	60.5p	74.8p	61.5p
EPRA Net Tangible Assets ¹	£296.0m	£366.0m	£300.7m
EPRA Net Reinstatement Value ¹	£327.1m	£401.7m	£332.2m
EPRA Net Disposal Value ¹	£316.8m	£383.8m	£317.4m
IFRS profit/(loss) for the period	£3.5m	£2.7m	(£54.7m)
EPRA earnings ¹	£8.4m	£8.6m	£16.0m

Share price returns

	As at 30 September 2023	As at 30 September 2022	As at 31 March 2023
Share price	41.1p	46.4p	43.6p
Share price discount to NAV ²	(32.1%)	(38.0%)	(29.1%)

Earnings and dividends

	Six months to 30 September 2023	Six months to 30 September 2022	Year to 31 March 2023
IFRS earnings (pps)	0.7	0.5	(11.2)
EPRA earnings (pps) ⁴	1.7	1.7	3.3
Dividends paid (pps)	1.67	1.60	3.22
Annualised dividend yield on 30 September/31 March share price	8.1%	6.9%	7.4%
NAV total return	1.1%	0.8%	(15.1%)

Bank borrowings

	As at 30 September 2023	As at 30 September 2022	As at 31 March 2023
On-balance sheet borrowings ³	£175.6m	£175.9m	£177.9m
Loan to Value ratio ("LTV"), net of all cash ⁴	36.6%	31.4%	36.0%

Ongoing charges

	Six months to September 2023	Six months to 30 Sept 2022	Year to 31 March 2023
Ongoing charges (including fund and property expenses) ⁴	2.38%	1.99%	2.28%
Ongoing charges (including fund only expenses) ⁴	1.19%	1.18%	1.32%

1 This is an Alternative Performance Measure ("APM"). Details of the calculation are included on page 36.

2 Based on the share price as at 30 September 2023 of 41.1p and the NAV per ordinary share of 60.5p.

3 On-balance sheet borrowings reflect the loan facilities with Canada Life and RBSI without the deduction of unamortised finance costs of £0.8m.

4 This is an APM. Details of the calculation are included on page 36.

Interim Management Report

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Chair's Statement



Alastair Hughes
Chair

Overview

We are today announcing our unaudited interim results for the six-month period to 30 September 2023, a time of continued uncertainty for the UK real estate market due to elevated inflation and interest rates, together with further geopolitical instability.

The higher interest rate environment has, as expected, led to a further rise in real estate yields, contributing to a 1.2% valuation decline of the underlying portfolio over the six-month period. Whilst this compared favourably with the MSCI peer group Benchmark (the 'Benchmark') at -2.9% over the same period, the negative valuation movement resulted in a net asset value ('NAV') as at 30 September 2023 of £296.0 million, or 60.5 pence per share ('pps'), a marginal decline of -1.6%.

Despite the challenging backdrop, at portfolio level we collected 99% of rent due, have continued to capture the high reversion, and have a healthy pipeline of lettings under offer. This progress also reflects the resilience of the occupational market in those sectors and geographies where we are focused.

The underlying portfolio generated an above-average income return of 3.1% over the period, which outperformed the Benchmark at 2.3%. This resulted in a positive total return for the underlying portfolio of 1.9%, compared with the Benchmark of -0.6%. Additionally, the portfolio's significant exposure to the multi-let industrial sector supported like-for-like rental growth of 2.4% over the period, compared with 1.7% for the Benchmark.

This activity, combined with low cost, long-term, fixed-rate debt, boosted the dividend to £8.2 million, or 1.67 pence per share, a 5% increase compared with the half year to 30 September 2022. Importantly, the dividend was fully covered by earnings and, combined with the movement in the NAV, resulted in a positive NAV total return for the period of 1.1%.

The Company has also separately announced today a quarterly

dividend of 0.836 pps, to be paid in December 2023. This reflects an attractive annualised yield of 7.4% based on the share price of 44.9 pps as at the close on 20 November 2023.

Favourable portfolio sector weightings and a strong focus on asset management means the underlying portfolio continues to deliver higher income and sustained, long-term outperformance relative to the Benchmark, with a total return of 6.7% per annum over the past three years, compared with the Benchmark at 2.2% per annum, placing the portfolio on the fifth percentile of its peer group.

Despite these strong fundamentals, the Company's shares, in common with the shares of other listed real estate funds, continue to trade at a discount to NAV. Whilst our rating compares favourably with other diversified real estate investment companies, the Board and Manager believe there is an opportunity to further differentiate our strategy by placing greater emphasis on sustainability objectives and reporting on the progress to achieve them. The strategy section below provides further detail on this.

Market context

The impact of higher interest rates means that, according to MSCI, average UK real estate values fell 20.4% between the recent cycle high of 1 July 2022 and 30 September 2023, with the Company's underlying portfolio value falling by 13.7% over the same period. The average MSCI Benchmark net initial yield is now 4.9%, which compares with the net initial yield on our underlying portfolio of 5.8%. This is the highest MSCI Benchmark net initial yield since early 2015, and

represents a premium of 0.8% over the prevailing 10-year Sterling Gilt rate of 4.1%. This is however below the long-term premium over Gilts offered by the real estate market of approximately 1.5%, and indicates that a further adjustment in real estate yields, or a fall in Gilt yields, may be required for the sector to represent 'fair value'.

The UK has so far avoided recession, with measures of consumer and business confidence improving over the period, and consumer prices now rising more slowly than wages. Whilst the impact of higher interest rates will increasingly be felt by consumers refinancing mortgages, this will be offset, at least in the short term, by factors including cost-of-living grant payments and public sector pay deals. The economic outlook should also improve as the headline rate of Consumer Price Index ('CPI') inflation falls over 2024. The latest producer output data points to falls in food, core goods and energy prices, with markets expecting CPI to be between 3% and 4% by mid-2024, still above the Bank of England's target of 2%.

Whilst labour market strength and longer term structural factors, such as the investment required to decarbonise the economy, mean that the 2% target may not be achievable on a sustainable basis, a slowdown in price and wage growth should mean interest rates are at, or close to, their peak, with the potential for easing during 2024.

Market expectations that interest rates are peaking will also be key to a recovery in sentiment towards real estate, with current transaction volumes 50% below 2022 levels. These volumes also reflect the high cost of hedged bank debt, and borrowers experiencing a sharp rise in interest cost when refinancing. Although leverage in the UK real estate market is low compared with past cycles, bank-led disposals and redemptions in some open-ended funds could weigh on a recovery in

values during 2024. The Company is well positioned in this respect with a long-term, low-cost, debt profile.

In contrast, occupational markets remain resilient, with annualised average nominal rental value growth for the sector of 3.5% since 1 July 2022. The Company's portfolio delivered 8.4% over the same period, with this significant outperformance driven by a high exposure to multi-let industrial estates, which represent 49% of total portfolio value. We expect continued relative outperformance of the industrial portfolio due to a strong pipeline of letting activity across both new developments, such as the operational net zero warehouse schemes at Stanley Green Trading Estate in Manchester and Hollin Lane in Milton Keynes, as well as significant reversionary potential across the existing portfolio.

The Company's retail exposure, representing 19.3% of the portfolio value, largely comprises retail warehousing and convenience retail, and benefits from strong anchor tenants such as Lidl and Sainsburys. Catchment-dominant locations and affordable rents have allowed us to capture new tenant demand, resulting in higher occupancy and opportunities to add value, such as the new Starbucks pod developments in Bedford and Milton Keynes, due to complete in early 2024.

The office sector continues to experience headwinds with accelerated obsolescence arising from changing occupier preferences and more demanding sustainability requirements. The Company's office portfolio represents 25.7% of value and our strategy is focused on delivering high quality refurbishments, working closely with existing tenants to deliver building improvements in return for longer term lease commitments. The Company benefits from owning office assets with strong underlying fundamentals in city centre locations,

with leasing activity helping to mitigate risk, including a new long-term lease to the Government at City Tower in Manchester, and positive occupier interest at our recently refurbished office in Edinburgh.

Strategy

Our strategy is focused on delivering sustainable dividend growth by improving the quality of the underlying portfolio through a disciplined, research-led approach to transactions, capital investment, active asset management and operational excellence. This activity is complemented by maintaining a robust balance sheet and managing costs efficiently. The continued relative outperformance of the underlying portfolio reflects the benefits of owning a diversified portfolio in the current environment, which is weighted towards higher growth sectors with a varied and granular tenant base, which in turn is delivering higher total returns and income growth.

As flagged above, the Board and Manager believe there is a unique opportunity to formally integrate specific sustainability considerations and reporting into the investment process, thereby differentiating the Company in the market and increasing its attractiveness to new investors, whilst continuing to drive long-term sustainable income and capital growth across the portfolio.

This active approach will leverage the wider Schrodgers Capital platform in the UK, which comprises 32 regional and sector real estate specialists, to transform less sustainable buildings into modern, fit for purpose assets. This team is supported by five real estate sustainability subject matter experts including energy, net zero and climate leads.

Evolving corporate sustainability regulations and obligations mean tenants are increasingly demanding more sustainable buildings to operate from, and investors are more focused

Chair's Statement continued

on the sustainability credentials of assets, which provide protection against the risk of obsolescence, to help secure long-term investment performance.

There is a broad and growing consensus that a meaningful rental and price premium exists for buildings with good sustainability characteristics supported by appropriate certification. This is often referred to as a "Green Premium". Given that the real estate industry accounts for approximately 40% of global energy related carbon emissions, and the majority of buildings are likely to still be in use in 2050, there is increasing investor concern regarding the investment required to upgrade assets, which the Manager believes can be reflected indiscriminately in market valuations of assets.

The Manager, however, also believes that it has the relevant expertise and experience to navigate this challenge and therefore sees a specific opportunity for the Company to clearly declare its focus on decarbonisation strategies that improve existing buildings to achieve a Green Premium and capitalise on mispricing. This strategy may attract new investors who have specific sustainability objectives which are aligned to the real estate sector's decarbonisation targets, while also improving the liquidity and rating of the Company's shares.

The Board therefore proposes to formally include sustainability at the centre of the Company's investment proposition, with a sustainability improvement and decarbonisation strategy focused on adapting existing buildings into those that are both modern and fit for purpose. This should enable the Company to proactively respond to the UK's Net Zero Carbon objectives, whilst optimising portfolio performance to seek enhanced total returns for shareholders. The strategic evolution represents the culmination of views from the Board, the Manager and

advisors, as well as feedback from shareholders.

The proposed change in the Company's investment objectives and strategy has been specifically developed with a view to enabling the Company to take on the "Sustainable Improver" label based on the FCA's Consultation Paper (CP22/20) on the proposed UK Sustainability Disclosure Requirements (SDR) and investment labels. It is expected that taking on the "Sustainable Improver" label, when this regulatory regime is implemented, would enable the Company to stand apart from its peers as well as highlight its specific expertise and achievements in sustainable investment.

Accordingly, the Company has today issued a Circular proposing to make amendments to the Company's investment objective and policy that reflects the strategy outlined above. The Circular also includes minor changes to the Manager's contractual terms which provide alignment with key performance indicators associated with the revised strategy. The Manager will be presenting the strategic evolution to both new and prospective shareholders in advance of the Extraordinary General Meeting to be held on 15 December 2023, where the Board and Manager hope the proposed changes will be approved.

Sustainability

In parallel with the above, continued progress has been made with near-term sustainability-led initiatives at a portfolio level. The Company's second operational net zero warehouse development is due to complete shortly at Hollin Lane in Milton Keynes, and several refurbishments of existing offices are in progress or planned, where significant improvements in energy efficiency will be delivered together with building certifications such as BREEAM In-Use.

The Company achieved a further improvement in its Global Real Estate Sustainability Benchmark ('GRESB') score, placing it first amongst a group comprising six diversified REITs. The EPC profile of the portfolio has improved markedly and the Company's first 'A+' ratings were achieved at our development at Stanley Green Trading Estate.

We are also making progress with the Company's pathway to net zero commitments, with a 10% and 22% reduction in the Company's operational energy intensity and greenhouse gas intensity targets since the 2019/20 baseline. For the sixth successive year, the Company retained its Gold level award for reporting under the EPRA Sustainability Best Practice Recommendations.

Balance sheet

The average interest rate for total debt drawn at the interim period end was 3.5%, with an average maturity of 10.2 years, and 91% either fixed or hedged against movements in interest rates.

The debt refinancing with Canada Life in 2019 is providing a significant benefit in a higher interest rate environment. This long-term loan, which represented £129.6 million of the £175.6 million total borrowings at the period end, has an average loan maturity of 12.6 years, with a fixed average interest rate of 2.5%. At the period end, the incremental positive fair value benefit of this fixed rate loan was £20.8 million, which is not reflected in the Company's NAV.

The balance of borrowings at the period end totalling £46.0 million comprised a revolving credit facility ('RCF') from RBSI. This facility totals £75.0 million and can be drawn and repaid at any time up to maturity in July 2027. The RCF is a 'Green Loan', with criteria linked to reduced energy consumption, future improvements in the GRESB rating and certification linked to building improvements.

£30.5 million of the £46.0 million drawn on the RCF benefits from an interest rate collar, which protects the Company from interest rates above 4.25%, whilst also allowing the Company to benefit from future falls in interest rates down to a 3.25% floor. The collar matches the loan duration and, due to interest rates currently being above the upper limit, had a positive fair value of £800,000 at the period end.

At the period end, the Company had a net loan to value ('LTV') ratio of 36.6%, slightly above the long-term strategic target range of 25% to 35%. The Company has significant headroom against all loan covenants, and steps are being taken to reduce the LTV back in line with the target range.

Board succession

Consistent with the Company's comprehensive succession planning process, in October we announced the appointment of Sanjay Patel as an independent Non-executive Director with effect from 1 January 2024. Sanjay has extensive finance and accounting experience, most recently as Chief Financial Officer and a Board member of Cadogan Group Limited, a large private real estate investment company. Sanjay will be a member of the audit, management engagement, and nomination committees, and is expected to replace Stephen Bligh on his retirement as Chair of the Audit Committee before the Company's next Annual General Meeting.

Outlook

There are early signs that the recent volatile period of historically high inflation and interest rates may be easing, but risks remain due to a fragile economy and geopolitical uncertainty. Whilst an easing in monetary policy rates should provide support to real estate values in 2024, there will be no return to the ultra-low rates of the past 15 years. Consequently, future returns will be led by income and rental growth, driven by long-term structural trends such as urbanisation, technological change, demographics and sustainability.

Although the short-term outlook clearly remains uncertain, prudent steps taken by the Manager to secure low cost, long-term debt for the Company, and increase exposure to higher growth sectors, means the Company is well positioned to deliver on its investment objective and provide a progressive dividend over time.

The Board and Manager also recognise that we need to be proactive addressing the current share price discount to NAV. This has driven the decision to announce an evolution of the strategy. As sustainability considerations become even more important for investors and occupiers, we have a strong conviction that it will clearly help to differentiate the Company and drive more sustainable, risk-adjusted returns.

Alastair Hughes

Chair
Schroder Real Estate Investment Trust
Limited

20 November 2023

Investment Manager's Report



Nick Montgomery

Fund Manager

Overview

Schroder Real Estate Investment Trust Limited's ('SREIT', or 'the Company') Net Asset Value ('NAV') as at 30 September 2023 was £296.0 million or 60.5 pence per share ('pps'), a marginal decline of 1.0 pps or -1.6% compared with £300.7 million, or 61.5 pps, as at 31 March 2023. Dividends totalling £8.2 million were paid during the period, which resulted in a positive NAV total return of 1.1%. A detailed analysis of the NAV movement is set out in the table opposite:

	£m	PPS
NAV as at 31 March 2023	300.7	61.5
Unrealised change in the valuations of the direct real estate portfolio and joint ventures ¹	(0.4)	(0.1)
Capital expenditure ²	(4.8)	(0.9)
EPRA earnings ³	8.4	1.7
Dividends paid	(8.2)	(1.7)
Gain related to interest rate hedging instruments	0.2	0.0
Others	0.1	0.0
NAV as at 30 September 2023	296.0	60.5

- 1 Prior to all capital expenditure, acquisition costs and movement in IFRS 16 lease incentives.
- 2 Comprises capital expenditure of £4.45 million on the directly held portfolio and £350,000 invested for the joint ventures.
- 3 EPRA earnings as per the reconciliation on page 34.

The underlying portfolio, including joint ventures, decreased in value by -1.2% on a like-for-like, net of capex, basis over the six-month period. £4.8 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.

EPRA earnings for the period totalled £8.4 million, or 1.7 pps, which, based on total dividends paid, resulted in cover of 102%. The Company also benefited from a £189,000 realised gain relating to interest rate hedging linked to the revolving credit facility.

Strategy

During the period, we focused on our strategic objective to deliver sustainable dividend growth by improving the quality of the underlying portfolio through a disciplined, research-led approach to transactions, capital investment, active asset management and operational excellence. Good progress has been made as set out below:

<p>1 Apply a research-led approach to determine attractive sectors and locations in which to invest in commercial real estate</p> <p>Increased allocation to higher growth sectors, with industrial, predominately multi-let estates, and retail warehousing, now comprising 61% of the portfolio by value, up from 59% at the start of the period</p>	<p>2 Increase exposure to larger assets with strong fundamentals and inherent opportunities for active management and development</p> <p>Key projects including operational net zero warehouse schemes at Stanley Green Trading Estate in Manchester and Stacey Bushes Industrial Estate in Milton Keynes, high quality office refurbishments that improve sustainability performance, and ongoing pre-let developments on retail warehouse parks. Top 15 assets now represent 79.8% by value</p>	<p>3 Sell smaller, secondary assets with higher sustainability performance risk</p> <p>Sold a small office asset at book value, with further disposals planned and in progress</p>
<p>4 Drive 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)</p> <p>Asset management delivered rental growth ahead of the MSCI Benchmark and ongoing regears with major tenants in return for sustainability related asset improvements</p>	<p>5 Apply our integrated sustainability and ESG approach at all stages of the investment process and asset life cycle, targeting improvement in the sustainability performance of assets to manufacture the green premium for shareholders</p> <p>Further improvement in the Company's GRESB score to 79 out of 100 in 2023 (2022: 77), placing the Company first amongst a peer group comprising six UK diversified listed REITs (2022: first of seven)</p>	<p>6 Control costs and maintain a strong balance sheet with a long-term strategic target loan to value, net of cash, within the range of 25% to 35%</p> <p>Ongoing charges (including fund and property expenses) of 2.38% broadly in line with 2.28% at the prior financial year end, with the small increase due to third party contingent fees linked to positive income enhancing letting activity</p> <p>The Company has a peer group leading debt profile, with a clear strategy to reduce the net LTV from 36.6% at the period end to within the strategic range</p>

Portfolio performance

The underlying portfolio continues to deliver strong relative outperformance, with a total return for the period of 1.9% compared to -0.6% for the MSCI Benchmark (the 'Benchmark'). This outperformance was driven by a higher income of 3.1% compared to 2.3% for the Benchmark.

Targeted capital expenditure in larger assets to improve sustainability performance and active asset management led to stronger rental value growth for the portfolio of 2.4%, compared to 1.7% for the Benchmark.

The portfolio is ranked in the eighth percentile of the Benchmark since the Company's launch in 2004 and the table below shows performance to 30 September 2023.

Period to 30 September 2023	SREIT Total Return			MSCI Benchmark Total Return			Relative		
	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	2.3	4.3	3.9	0.4	1.9	3.1	1.8	2.4	0.8
Office	-3.5	-0.3	6.6	-6.7	-4.5	5.4	3.4	4.3	1.1
Industrial	5.3	14.3	10.2	3.3	8.7	8.6	2.0	5.2	1.4
Other	1.5	9.7	3.4	-0.4	1.5	6.3	1.9	8.1	-2.7
All sectors	1.9	6.7	7.0	-0.6	2.2	5.4	2.5	4.5	1.6

*IPO in July 2004

Real estate portfolio

As at 30 September 2023, the portfolio comprised 40 properties valued at £466.0 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 £28.8 million per annum, reflecting a net initial yield of 5.8%, which compared with the Benchmark of 4.9%. The portfolio also benefits from fixed contractual annualised rental income uplifts of £2.3 million over the next 24 months.

The independent valuer's estimated rental value ('ERV') of the portfolio is £37.9 million per annum, reflecting a reversionary income yield of 8.1%, which compares favourably with the Benchmark at 5.9%. The ERV also excludes the reversion from ongoing developments in Bedford, Bletchley, and Milton Keynes, totalling approximately £500,000 of additional annualised rent.

At the period end the portfolio void rate was 11.2%, calculated as a percentage of estimated rental value. Excluding the void units at the recently completed Stanley Green Trading Estate development, the portfolio void rate falls to 8.9%, in the middle of the Company's ten-year range of 5% to 13%, and compares with the Benchmark void rate of 8.2%. Approximately 4.2% of the 11.2% void is now let or in negotiations to let.

The portfolio weighted average lease length, calculated to the earlier of lease expiry or break, is 5.0 years, with ongoing letting activity expected to increase this.

Approximately 11% 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 10% of rent benefits from fixed uplifts without an inflation link. The proportion of the portfolio with inflation-linked leases should also increase with ongoing asset management activity.

Investment Manager's Report continued

The tables below summarise the portfolio information as at 30 September 2023. The property values and weightings reflect the valuations as determined by the independent valuers as at 30 September 2023 and 31 March 2023 respectively:

Portfolio metric	30 September 2023 (MSCI Benchmark ¹)	31 March 2023 (MSCI Benchmark ¹)
Portfolio value (£m)	466.0	470.4
Number of properties	40	41
Number of tenants	322	312
Average lot size (£m)	11.6	11.5
Net initial yield (%)	5.8 (4.9)	5.8 (4.8)
Reversionary yield (%)	8.1 (5.9)	8.0 (5.7)
Annual rent (£m)	28.8	29.3
Estimated rental value (£m)	37.9	37.8
Annual rent with inflation linked uplifts (%)	11	11
Annual rent with fixed uplifts (%)	10	12
WAULT (years to earliest of break or expiry)	5.0 (11.1)	5.0 (11.2)
Void rate (%)	11.2 (8.2)	11.1 (8.0)

1 MSCI UK Balanced Portfolios Quarterly Property Index.

Top 15 properties by value	Sector	Value (£m) ¹	% of portfolio value ²
1 Milton Keynes, Stacey Bushes Industrial Estate	Industrial	51.6	11.1
2 Leeds, Millshaw Park Industrial Estate	Industrial	46.5	10.0
3 Cheadle, Stanley Green Trading Estate	Industrial	39.5	8.5
4 London, Bloomsbury, The University of Law Campus (50% share)	Office/university	37.0	7.9
5 Manchester, City Tower (25% share)	Office/hotel/retail/ leisure/car park	30.6	6.6
6 Bedford, St. John's Retail Park	Retail warehouse	30.3	6.5
7 Chippenham, Langley Park Industrial Estate	Industrial	25.5	5.5
8 Norwich, Union Park Industrial Estate	Industrial	22.3	4.8
9 Leeds, Headingley Central	Retail/hotel/leisure	20.4	4.4
10 Manchester, St Ann's House	Office/retail	12.5	2.7
11 Birkenhead, Valley Park Industrial Estate	Industrial	12.4	2.7
12 Telford, Horton Park Industrial Estate	Industrial	12.3	2.6
13 Uxbridge, 106 Oxford Road	Office/university	11.7	2.5
14 Edinburgh, The Tun	Office	10.3	2.2
15 Milton Keynes, Matalan	Retail warehouse	9.1	2.0
Total as at 30 September 2023		372.0	79.8

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

2 Column does not sum due to rounding.

	Sector weighting by value as at 30 September 2023		Like-for-like capital growth, net of capital expenditure, for the six-month period ended 30 September 2023	
	SREIT	Benchmark ¹	SREIT	Benchmark
South East	11.1%	19.8%		
Rest of UK	38.1%	12.4%		
Industrial	49.2%	32.2%	2.7%	1.1%
City	0.0%	3.1%		
Mid-town and West End	7.9%	6.8%		
Rest of South East	4.3%	6.7%		
Rest of UK	13.5%	7.0%		
Offices	25.7%	23.5%	-6.8%	-8.5%
Retail warehouse	11.6%	10.0%	-2.9%	-1.6%
South East	0.0%	6.8%		
Rest of UK	7.7%	3.0%		
Standard retail	7.7%	9.8%	1.0%	-3.4%
Standard retail by ancillary/single use				
- Retail ancillary to main use	5.0%	-		
- Retail single use	2.7%	-		
Other	5.8%	18.6%	-4.4%	-2.8%
Shopping centres	-	2.0%		
Unattributed indirects	-	3.7%		

1 Column does not sum due to rounding.

	Regional weighting by value as at 30 September 2023	
	SREIT	Benchmark
Central London	7.9%	19.5%
South East excluding Central London	17.3%	33.0%
Rest of South	10.6%	15.8%
Midlands and Wales	21.1%	13.1%
North	40.9%	14.1%
Scotland	2.2%	4.3%
Northern Ireland	0.0%	0.2%

Rental income is diverse and as at 30 September 2023 comprised 322 tenants, including the tenants of properties held by joint ventures. The largest single tenant and top 15 tenants represent 6.94% and 34.03% of the portfolio respectively, calculated as a percentage of annual rent.

Investment Manager's Report continued

Top 15 tenants by annual rent	Annual rent (£m)	% of total annual rent ¹
University of Law Limited	2.0	6.53%
Siemens Mobility Limited	1.2	3.99%
Express Bi Folding Doors Limited	0.7	2.13%
Jupiter Hotels Limited	0.6	2.11%
Buckinghamshire New University ²	0.6	1.88%
Matalan Retail Limited	0.6	1.87%
The Secretary of State	0.5	1.76%
Cineworld Cinema Properties Limited	0.5	1.71%
TJX UK t/a HomeSense	0.5	1.65%
Premier Inn Hotels Limited	0.5	1.55%
IXYS UK Westcode Limited	0.5	1.52%
Lidl Great Britain Limited	0.4	1.36%
Ingeus (UK) Limited	0.4	1.32%
Wickes Building Supplies Limited	0.4	1.31%
Balfour Beatty Group Limited	0.4	1.26%
Total as at 30 September 2023	9.8	31.94%

¹ Column does not sum due to rounding.

² With effect from January 2024 the rent increases to £1.3 million per annum.

Disposals

The Company continues to progress disposals of smaller assets on completion of asset management, or where proceeds can be redeployed to deliver a more attractive return.

Rugby, Morgan Sindall House (Office)

In March 2023, contracts were exchanged to sell Morgan Sindall House, a 34,334 sq ft single let office asset in Rugby for £4.0 million. The sale completed on 24 June 2023. The price was in line with the 31 March 2023 year-end independent valuation. At the time of sale, the asset produced a net rent of £375,378 per annum with a lease term of 5.9 years. Further disposals are planned and in progress.

Active asset management

56 new lettings, rent reviews and renewals, across 505,782 sq ft, have completed since the start of the period totalling £3.8 million in annualised rental income, 7% above the opening ERV.

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



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. At acquisition the asset comprised 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. Following completion of a new, 11 unit, warehouse development on the 3.4 acre site this May, the asset now comprises 228,720 sq ft of trade counter, self-storage and warehouse accommodation across 25 units.

As at 30 September 2023 the valuation was £39.5 million, reflecting a reversionary yield, assuming the new development is fully let, of 6.4%. Over the six-month period to 30 September 2023, the asset delivered a total return of 9.7% which compared with the MSCI All Industrial over the same period of 3.3%.

Key activity

- The speculative development of 11 warehouse and trade units has completed with £9.0 million of capital expenditure incurred on the project from inception to the period end.
- The new units achieved an “A+” EPC rating and BREEAM Excellent accreditation. They include a photovoltaic system that we expect to generate more than 250 MWh of energy per annum, 24 electric vehicle charging points and a 800kVA substation to support the on-site renewables in powering the fully electric site.
- Five units, or 28% of the development by estimated rental value, are now let with a further 60% under negotiations in excess of the independent valuation assumption as at 30 September 2023.
- The objective is for the entire scheme to be let this financial year, which would increase the net income from Stanley Green Trading Estate by approximately £1 million per annum compared with 30 September 2023.



Milton Keynes, Stacey Bushes Industrial Estate (Industrial)

Asset overview and performance

Stacey Bushes Industrial Estate in Milton Keynes was acquired in two parts in 2014 for £14.3 million, with an additional six units developed in 2020 at a cost of £2.4 million. As noted below, since the period end a further new industrial unit has been developed at a cost of £2.8 million. The asset now comprises 67 industrial units across 373,000 sq ft.

As at 30 September 2023 the valuation was £51.6 million, reflecting a net initial yield of 4.5% and a reversionary yield of 6.4%. Over the six month period to 30 September 2023, the asset delivered a total return of 1.0% which compared with MSCI All Industrial over the same period of 3.3%.

Key activity

- The development of a single 18,203 sq ft industrial unit is due to complete this November, replacing an older 4,931 sq ft unit with a low site cover. The unit is being marketed with a target rent of £237,000 or £13.00 per sq ft. This compares to the current average estimated rented value across the estate of £9.40 per sq ft. The unit has been delivered to be operational net zero carbon, targeting BREEAM Excellent certification and an EPC rating of “A+”.

Investment Manager's Report continued



Manchester, City Tower (Mixed-use)

Asset overview and performance

City Tower comprises 610,000 sq ft of office, retail, leisure and hotel accommodation located on a three-acre island site in a core location. SREIT owns a 25% share of City Tower in a simple co-ownership structure.

As at 30 September 2023, the valuation of SREIT's interest was £30.6 million, reflecting a net initial yield of 5.5% and a reversionary yield of 9.1%. Over the six-month period to 30 September 2023, the asset delivered a total return of -6.7%, in line with the MSCI All Offices over the same period.

Key activity (note statistics reflect 100% interest)

- A ten-year lease renewal without breaks completed with The Secretary of State for Housing, Communities and Local Government for 39,960 sq ft of office space and 20 car parking spaces. The lease commenced on 10 July 2023 and the rent is £809,240 per annum, 10% ahead of the ERV. There is a 19 month rent free period and the service charge cap has been increased which reduces the shortfall by £100,000 per annum, therefore boosting net income.
- A three-year reversionary lease without breaks completed with Hays Specialist Recruitment Limited for two floors comprising 18,032 sq ft. The lease commenced on 9 May 2023 and the rent will remain at the current level of £357,680 per annum until 2027, at which point there will be an open market rent review. The tenant received 3 months rent free commencing from the date of completion of the lease being 17 August 2023.
- A rent review was settled with Jupiter Hotels Limited, increasing the rent by 40% to £2,586,329 per annum with effect from March 2023. The lease runs for another 36 years to January 2060 and the next seven-yearly rent review, which is linked to RPI with no cap or collar, is on 11 March 2030.
- A rent review was settled with National Car Parks Limited in August 2023, increasing rent by 15% to £430,830 per annum with effect from January 2023. The lease runs for another 19 years to December 2042 and the next five-yearly rent review, which is linked to RPI with a cap of 4% and a collar of 1%, is on 1 January 2028.



The Tun, Edinburgh (Office)

Asset overview and performance

The Tun is a multi-let office building in Edinburgh city centre, located close to the Royal Mile and Scottish Parliament.

As at 30 September 2023, the asset was valued at £10.3 million, reflecting a net initial yield of 5.6% and a reversionary yield of 8.9%. Over the six-month period to 30 September 2023, the asset delivered a total return of -0.1% which compared with the MSCI All Offices over the same period of -6.7%.

Key activity

- Completed full Cat A refurbishment of the 7,376 sq ft third floor including new, more efficient, M&E, new LED lighting, removal of two staircases to the mezzanine and improvements to natural light and fresh air. Works to the common areas and roof are also complete, whilst end of journey facilities will further improve the sustainability credentials of the asset and attract high quality tenants. There is good interest in the space at a rent in excess of the ERV.
- Existing tenant Vattenfall Wind Power Limited completed a new five year lease extension on 2,783 sq ft of space in return for sustainability improvements costing £150,000. The lease renewal commences in May 2024 and the rent increases by 21% to £88,137 per annum or £31.67 per sq ft, 17% ahead of the estimated rental value as at 30 September 2023. The tenant will receive three months rent free.

Sustainability and Responsible Investment

The Board and Manager believe that focusing on sustainability, and Environmental, Social and Governance (“ESG”) considerations more generally, throughout the real estate life cycle, will deliver enhanced long-term returns for shareholders as well as having a positive impact on the environment and communities where the Company is investing. A key part of our sustainability strategy is delivering operational excellence for occupiers as well as demonstrating continued improvements in sustainability performance. As noted in the Chair’s Statement, the Company has today issued a circular proposing to make amendments to the Company’s investment objective and policy that place greater emphasis on sustainability objectives.



Active management of sustainability performance is a key component of responsible asset and building management. Reducing energy consumption, improving operational efficiency and delivering higher quality, more sustainable spaces, will benefit tenants’ occupational costs and may support tenant retention and attraction, in addition to mitigating environmental impacts and helping to future-proof the portfolio against future legislation.

As part of the Company’s commitment to net zero carbon (‘NZC’) by 2040, which includes interim milestones, new analysis has been undertaken on the portfolio using the recently released Carbon Risk Real Estate Monitor (‘CRREM’) version 2 tool. The findings demonstrate progress with reductions in operational Greenhouse Gas (‘GHG’) intensity and energy intensity (against the 2019/2020 baseline) of -22% and -10% respectively. The Board and Manager have continued, and will continue, to undertake improvement initiatives including the replacement, upgrades and electrification of heating, ventilation, and air conditioning (‘HVAC’) and hot water systems, continued utility smart meter roll-out for improved energy monitoring, as well as continued upgrades to lighting systems, including installation of LEDs and passive infrared controls.

As an example of the Company’s commitment to sustainability, this period saw the completion of its first, and one of the first in the North-West, operationally NZC development at Stanley Green Trading Estate in Manchester, providing 80,000 sq ft of warehouse and trade counter accommodation. The scheme has been considerate of sustainability throughout the design and development stages, including the choice of building fabric to optimise thermal efficiency, the use of energy efficient fixtures such as LED lighting and the use of on-site rooftop solar photovoltaic (‘PV’) for the generation of clean energy. The development also promotes sustainable travel through the provision of cycle storage facilities and electric vehicle (‘EV’) charging infrastructure.



Further in support of the Company’s sustainability and NZC commitments, and as a next step in the sustainability audit programme, the Board and Manager undertook its first asset-level NZC audit over the summer at St Ann’s House, Manchester which provides a detailed plan to decarbonise the asset and plan for resilience against regulatory requirements and market expectations. We are in the process of completing asset-level NZC audits for all assets to assess decarbonisation opportunities.



The Company recently received the results for the 2023 Global Real Estate Sustainability Benchmark (‘GRESB’) survey which, in recognition of the Board and Manager’s approach and commitment to sustainability, demonstrated further improvement in the overall score to 79 out of 100 (2022: 77), achieving the maximum possible result for the management aspects of the assessment and placing the Company first amongst a peer group comprising six UK diversified listed REITs (2022: first of seven). As a result, the Company was awarded three stars out of five GRESB stars in addition to a GRESB ‘Green Star’. The Company also retained its Gold level award for reporting under the EPRA Sustainability Best Practice Recommendations.

Scan this QR code to see a video detailing our sustainability strategy in action.



Investment Manager's Report continued

Balance sheet

As noted in the Chair's Statement, as at 30 September 2023 the average interest rate for drawn debt was 3.5%, with an average loan term of 10.2 years, and 91% of total drawn debt was either fixed or hedged against movements in interest rates. As at 30 September 2023, the Company had cash, including cash held in joint ventures, of £5.1 million and a net loan to value ('LTV') ratio of 36.6%, which is slightly above the long-term strategic target range of 25% to 35%. Details of the loans are set out below, together with cover against covenants.

Canada Life term loan

Lender	Loan (£m)	Maturity	Total interest rate (%)	Asset value (£m)	Cash (£m)	LTV ratio (%) ²	LTV ratio covenant (%) ²	ICR (%) ³	ICR covenant (%) ³	Projected ICR (%) ⁴	Projected ICR covenant (%) ⁴
Facility A	64.8	15/10/2032	2.4 ¹								
Facility B	64.8	15/10/2039	2.6 ¹								
Canada Life Term Loan	129.6	Average loan maturity of 12.6 years	2.5 ¹	269.6	0.7	48.1	65	611	185	469	185

- Net LTV on the secured assets against this loan is 47.8%. On this basis the properties charged to Canada Life could fall in value by 26% prior to the 65% LTV covenant being breached;
- The interest cover ratio is 611% based on actual net rents for the quarter to 30 September 2023. A 70% fall in net income could be sustained prior to the loan covenant of 185% being breached;
- The projected interest cover ratio is 469% based on projected net rents for the year to 30 September 2024. A 61% 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 38% and 72% respectively prior to either the LTV or interest cover ratio covenants being breached.

RBSI revolving credit facility ('RCF')

Lender	Loan/amount drawn (£m)	Maturity	Total interest rate (%)	Asset value (£m)	LTV ratio (%) ²	LTV ratio covenant (%) ²	Projected ICR (%) ⁴	Projected ICR covenant (%) ⁴
RBSI RCF	75.0/46.0 ⁵	06/06/2027	6.2 ⁶	159.4	28.9	65 ⁷	245	200

- The RCF benefits from an interest rate "collar" which applies to £30.5 million of the £46.0 million drawn. The collar runs to the end of the RCF term and allows the Company to benefit from future falls in interest rates down to a 3.25% floor, whilst at the same time protecting the Company from rate increases above 4.25%.
- Net LTV on the secured assets against this loan is 28.9%. On this basis the properties charged to RBSI could fall in value by 56% prior to the 65% LTV covenant being breached;
- The projected interest cover ratio is 245% based on actual net rents for the quarter to 30 September 2023. An 18% fall in net income could be sustained prior to the loan covenant of 200% being breached; and
- After utilising available cash and uncharged properties, the valuation and actual net rents could fall by 68% and 35% respectively prior to either the LTV or projected interest cover ratio covenants being breached.

1 Fixed total interest rate for the loan term.

2 Loan balance divided by the property values as at 30 September 2023.

3 This covenant is calculated by dividing the rental income received for the quarter preceding the Interest Payment Date ('IPD'), less void rates, void service charge and void insurance, by the interest paid in the same quarter.

4 This covenant is calculated by dividing the forecast contracted rent for the four quarters following the period end, less forecast void rates, void service charge and void insurance, by forecast interest paid.

5 Facility drawn as at 30 September 2023 from a total available facility of £75.0 million.

6 Total interest rate as at 30 September 2023 comprising applicable SONIA rate of 5.19% and the margin of 1.65% at a LTV below 60%. Should the LTV be above 60%, the margin increases to 1.95%.

7 LTV ratio covenant of 65% for years one to three, from post commencement on 6 June 2022, then 60% for years four and five.

During the period the RCF was converted into a 'Sustainability Linked Loan', with performance measured against KPIs, with each KPI having the potential to either reduce the margin by 1.65 basis points, or increase it by 1.65 basis points or have no impact:

- Change in landlord energy consumption (year-on-year)
 - A reduction by 5% or more: reduce the margin
 - No change or a reduction below 5%: no change
 - An increase: increase the margin
- GRESB rating
 - 4 stars or above: reduce the margin
 - 3 stars: no change
 - 2 stars or below: increase the margin
- Development or refurbishment projects that improve EPC or BREEAM rating to a minimum of EPC B or BREEAM Very Good
 - If all new developments or major renovations of the properties meet the requirement: reduce the margin
 - If no property has been refurbished or developed: no change
 - If one or more new developments or major renovations of the properties carried out during the term of the facility does not meet the requirement: increase the margin

Outlook

Our programme of sustainability-led value add investments into the existing portfolio, and an active approach to asset management, is leading to further income growth, with a pipeline of new opportunities under active consideration. We have a robust and diverse tenant base that we expect to be resilient in a weaker economic environment.

Against this backdrop, our clear strategy with an 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 attractive income and total returns for shareholders.

Nick Montgomery

Fund Manager

20 November 2023

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 and strategy; economic and property market; sustainability; valuation/liquidity; gearing/leverage; service provider; and regulatory compliance. A detailed explanation of the risks and uncertainties in each of these categories can be found on pages 35 to 36 of the Company's published Annual Report and Consolidated Financial Statements for the year ended 31 March 2023.

The Board considers that global geopolitical risk has since increased but, otherwise, the principal risks and uncertainties have not materially changed during the six months ended 30 September 2023.

Going concern

The Board believes it is appropriate to adopt the going concern basis in preparing the financial statements. A comprehensive going concern statement setting out the reasons the Board considers this to be the case is set out in note 1 on page 24.

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 2023. Related party transactions are disclosed in note 15 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 Chair's Statement 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*, 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

Chair

20 November 2023

Financial Statements

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Condensed Consolidated Statement of Comprehensive Income

	Notes	Six months to 30/09/2023 £000 (unaudited)	Six months to 30/09/2022 £000 (unaudited)	Year to 31/03/2023 £000 (audited)
Rental income		12,670	12,729	25,171
Other income		1,012	76	58
Property operating expenses		(1,025)	(1,077)	(2,258)
Net rental and related income, excluding joint ventures		12,657	11,728	22,971
Share of total net income in joint ventures		1,392	2,063	3,515
Net rental and related income, including joint ventures		14,049	13,791	26,486
Gain on disposal of investment property		5	1,513	1,184
Gain on disposal of financial instruments	11	189	-	-
Net unrealised valuation loss on investment property	6	(636)	(3,718)	(60,107)
Net gain in fair value of financial instruments		54	-	-
Expenses				
Investment management fee	2	(1,181)	(1,561)	(2,755)
Valuers' and other professional fees		(1,018)	(901)	(1,875)
Administrator's fee	2	(31)	(37)	(71)
Auditor's remuneration		(94)	(100)	(185)
Directors' fees		(116)	(92)	(172)
Other expenses		(39)	(103)	(346)
Total expenses		(2,479)	(2,794)	(5,404)
Net operating profit/(loss) before net finance costs		9,790	6,729	(41,356)
Interest receivable		54	1	-
Finance costs		(3,240)	(2,418)	(5,114)
Refinancing costs		-	(247)	(247)
Net finance costs		(3,186)	(2,664)	(5,361)
Share of total net income in joint ventures	7	1,392	2,063	3,515
Share of net valuation loss in joint ventures	7	(4,516)	(3,446)	(11,513)
Profit/(loss) before taxation		3,480	2,682	(54,715)
Taxation	4	-	-	-
Profit and total comprehensive income/(loss) for the period attributable to the equity holders of the parent		3,480	2,682	(54,715)
Basic and diluted earnings/(loss) per share		0.7p	0.5p	(11.2)p

All items in the above statement are derived from continuing operations. The accompanying notes 1 to 17 form an integral part of the condensed interim financial statements.

Condensed Consolidated Statement of Financial Position

	Notes	30/09/2023 £000 (unaudited)	30/09/2022 £000 (unaudited)	31/03/2023 £000 (audited)
Investment property	6	391,443	445,131	388,030
Investment in joint ventures	7	67,721	80,254	72,187
Interest rate derivative contracts	11	820	–	–
Non-current assets		459,984	525,385	460,217
Trade and other receivables	8	18,462	18,378	21,626
Cash and cash equivalents	9	4,903	8,236	8,419
Current assets		23,365	26,614	30,045
Total assets		483,349	551,999	490,262
Issued capital and reserves		333,092	403,121	337,790
Treasury shares		(37,101)	(37,101)	(37,101)
Equity		295,991	366,020	300,689
Interest-bearing loans and borrowings	10	174,744	174,973	176,933
Lease liability	6	1,285	1,860	1,668
Non-current liabilities		176,029	176,833	178,601
Trade and other payables	12	11,329	9,146	10,972
Current liabilities		11,329	9,146	10,972
Total liabilities		187,358	185,979	189,573
Total equity and liabilities		483,349	551,999	490,262
Net Asset Value per ordinary share	13	60.5p	74.8p	61.5p

The financial statements on pages 20 to 23 were approved at a meeting of the Board of Directors held on 20 November 2023 and signed on its behalf by:

Alastair Hughes

Chair

The accompanying notes 1 to 17 form an integral part of the condensed interim financial statements.

Condensed Consolidated Statement of Changes in Equity

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 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		–	(998)	–	(998)
Balance as at 30 September 2022		219,090	(37,101)	184,031	366,020

For the year ended 31 March 2023 (audited) and for the period from 1 April 2023 to 30 September 2023 (unaudited)

	Notes	Share premium £000	Treasury share reserve £000	Revenue reserve £000	Total £000
Balance as at 31 March 2022		219,090	(36,103)	189,196	372,183
Loss for the year		–	–	(54,715)	(54,715)
Dividends paid	5	–	–	(15,781)	(15,781)
Share buyback		–	(998)	–	(998)
Balance as at 31 March 2023		219,090	(37,101)	118,700	300,689
Profit for the period		–	–	3,480	3,480
Dividends paid	5	–	–	(8,178)	(8,178)
Balance as at 30 September 2023		219,090	(37,101)	114,002	295,991

The accompanying notes 1 to 17 form an integral part of the condensed interim financial statements.

Condensed Consolidated Statement of Cash Flows

	Six months to 30/09/2023 £000 (unaudited)	Six months to 30/09/2022 £000 (unaudited)	Year to 31/03/2023 £000 (audited)
Operating activities			
Profit/(loss) for the period/year	3,480	2,682	(54,715)
Adjustments for:			
Profit on disposal of investment property	(5)	(1,513)	(1,184)
Profit on disposal of financial instruments	(189)	–	–
Net valuation loss on investment property	636	3,718	60,107
Share of loss of joint ventures	3,124	1,383	7,998
Net finance cost	3,186	2,664	5,361
Net gain in fair value of financial instruments	(54)	–	–
Operating cash generated before changes in working capital	10,178	8,934	17,567
Decrease/(increase) in trade and other receivables	3,164	(2,209)	(1,861)
Increase in trade and other payables	296	391	1,978
Cash generated from operations	13,638	7,116	17,684
Finance costs paid	(2,898)	(2,158)	(4,479)
Interest received	54	1	–
Net cash from operating activities	10,794	4,959	13,205
Investing activities			
Net proceeds from the sale of investment property	–	6,413	8,303
Additions to investment property	(4,432)	(5,245)	(10,133)
Acquisitions of investment property	–	(15,146)	(16,058)
Additions to joint ventures	(50)	–	–
Net income distributed from joint ventures	1,241	1,663	3,638
Net cash used in investing activities	(3,241)	(12,315)	(14,250)
Financing activities			
Share buyback	–	(998)	(998)
Additions to external debt	–	13,600	15,600
Repayment of external debt	(2,300)	–	–
Refinancing costs paid	–	–	(958)
Disposal of financial instrument	189	–	–
Purchase of financial instrument	(766)	–	–
Loan arrangement fees paid	(14)	(764)	–
Dividends paid	(8,178)	(7,847)	(15,781)
Net cash (used in)/from financing activities	(11,069)	3,991	(2,137)
Net decrease in cash and cash equivalents for the period/year	(3,516)	(3,365)	(3,182)
Opening cash and cash equivalents	8,419	11,601	11,601
Closing cash and cash equivalents	4,903	8,236	8,419

The accompanying notes 1 to 17 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 registered in Guernsey. The condensed interim financial statements of the Company for the period ended 30 September 2023 comprise the Company and its subsidiaries (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 2023. 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 2023. The financial statements for the year ended 31 March 2023 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (the “IASB”), and interpretations issued by the International Financial Reporting Interpretations Committee.

Going concern

The Directors have examined significant areas of possible financial risk including liquidity (with a view to both cash held and undrawn debt facilities); the rates of both rent and service charge collections from tenants; have considered potential falls in property valuations; have reviewed cash flow forecasts; have analysed forward-looking compliance with third party debt covenants and in particular the Loan to Value covenant and interest cover ratios; and have considered the Group’s ongoing tax compliance with the REIT regime.

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 2023, property valuations would have to fall by 26% before the relevant Canada Life Loan to Value covenants were breached, and actual net rental income would need to fall by 70% before the interest cover covenants were breached.

Furthermore, the properties charged to RBSI could fall in value by 56% prior to the 65% LTV covenant being breached and based on actual net rents for the quarter to 30 September 2023, a 18% fall in net income could be sustained prior to the RBSI projected interest loan cover covenant of 200% being breached.

As at the period end the undrawn capacity of the RBSI facility was £29.0 million. This £75.0 million facility, which matures in June 2027, is an efficient and flexible source of funding due to its ability to be repaid and redrawn as often as required.

Regarding the Canada Life loan of £129.6 million, 50% matures in 2032 and 50% matures in 2039 respectively.

The Board and Investment Manager also continue to closely monitor structural changes from Covid-19, together with the ongoing changing macroeconomic and geopolitical environments, on the Group.

The Board and Investment Manager have also considered the impact of climate change risk as an emerging risk. In line with IFRS, investment properties are valued at fair value based on open market conditions. The assessment of the open market valuation includes consideration of environmental matters and the condition of each property. The investment properties continue to be monitored by the Investment Manager and key considerations include EPC ratings and their impact on the properties’ forecast compliance with forthcoming minimum energy efficiency standards. Having assessed the impact of climate change on the Group, the Directors concluded that it is not expected to have a significant impact on the Group’s going concern assessment.

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 period to 30 November 2024.

The Directors have satisfied themselves that the Group has adequate resources to continue in operational existence for at least the next twelve 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 2023.

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 current fee is payable monthly in arrears at one twelfth of the aggregate of 0.9% of the Net Asset Value ("NAV") of the Company (where NAV is less than £500 million). 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 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%

The total charge to the Consolidated Statement of Comprehensive Income during the period was £1,181,000 (year to 31 March 2023: £2,755,000; six months to 30 September 2022: £1,561,000). At the period end an amount of £533,196 remained outstanding (31 March 2023: £nil; 30 September 2022: £nil).

Langham Hall (Guernsey) Limited and Langham Hall UK Depository LLP provided Administration, Designated Manager and Depository services to the Group. The Administrator was entitled to an annual fee equal to £57,000 of which no sum (31 March 2023: £nil; 30 September 2022: £nil) was outstanding at the period end.

Schroder Investment Management Limited provides 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 2023: £50,000; six months to 30 September 2022: £25,000). At the period end £25,000 was outstanding (31 March 2023: £50,000; 30 September 2022: £25,000).

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 £3,480,000 (31 March 2023: loss of £54,715,000; 30 September 2022: profit of £2,682,000) and the weighted average number of ordinary shares in issue during the period of 489,110,576 (31 March 2023: 489,951,224 and 30 September 2022: 490,784,091).

Notes to the Interim Report continued

4. Taxation

	Six months to 30/09/2023 £000	Six months to 30/09/2022 £000	Year to 31/03/2023 £000
Tax expense in the period/year	-	-	-
Reconciliation of effective tax rate:			
Profit/(loss) before tax	3,480	2,682	(54,715)
Effect of:			
Tax using the UK corporation tax rate of 19%	661	510	(10,396)
Revaluation loss of investment properties not taxable	118	706	11,420
Revaluation gain of financial instruments not taxable	(10)	-	-
Share of revaluation loss/(profit) of joint ventures not taxable	858	263	2,187
Profit on disposal of investment property not taxable	(1)	(287)	(225)
Profit on disposal of financial instruments not taxable	(36)	-	-
Loss on refinancing	-	-	47
UK REIT exemption on non-capital income	(1,590)	(1,192)	(3,033)
Current tax expense in the period/year	-	-	-

SREIT 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)	01/04/2023 to 30/09/2023 £000
Q/e 31 March 2023 (dividend paid 30 June 2023)	489.11 million	0.836	4,089
Q/e 30 June 2023 (dividend paid 25 August 2023)	489.11 million	0.836	4,089
		1.672	8,178

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)	01/04/2022 to 31/03/2023 £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
Q/e 30 September 2022 (dividend paid 9 December 2022)	489.11 million	0.803	3,928
Q/e 31 December 2022 (dividend paid 7 March 2023)	489.11 million	0.819	4,006
		3.220	15,781

A dividend for the quarter ended 30 September 2023 of 0.836 pence per share (totalling £4.09 million) was approved on 14 November 2023 and will be paid on 22 December 2023.

6. Investment property

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

For the year 1 April 2022 to 31 March 2023 (audited)

	Leasehold £000	Freehold £000	Total £000
Fair value as at 1 April 2022	39,793	393,693	433,486
Additions	32	10,101	10,133
Acquisitions	–	16,058	16,058
Disposal of asset held at fair value	–	(12,405)	(12,405)
Gain on the sale of assets	–	1,184	1,184
Fair value leasehold adjustment	(319)	–	(319)
Net unrealised valuation loss on investment property	(4,093)	(56,014)	(60,107)
Fair value as at 31 March 2023	35,413	352,617	388,030

For the period 1 April 2023 to 30 September 2023 (unaudited)

	Leasehold £000	Freehold £000	Total £000
Fair value as at 1 April 2023	35,413	352,617	388,030
Additions	7	4,425	4,432
Fair value leasehold adjustment	(383)	–	(383)
Net valuation (loss)/gain on investment property	(1,853)	1,217	(636)
Fair value as at 30 September 2023	33,184	358,259	391,443

The fair value of investment property, as determined by the valuer, totals £398,425,000 (31 March 2023: £398,560,000; 30 September 2022: £451,900,000). None of this sum was in relation to any unconditional exchange of contracts prior to the respective period end (31 March 2023: £4,000,000; 30 September 2022: £nil).

As at 30 September 2023, £8,267,000 (31 March 2023: £8,198,000; 30 September 2022: £8,630,000) in connection with lease incentives is included within trade and other receivables. Furthermore, included in non-current liabilities is a sum of £1,285,000 (31 March 2023: £1,668,000; 30 September 2022: £1,860,000) relating to the fair value of the leasehold element of The Galaxy, Luton.

The fair value of investment property has been determined by CBRE Limited, a firm of independent chartered surveyors, who are registered independent appraisers. The valuation has been undertaken in accordance with the current RICS Valuation – Global Standards, which incorporate the International Valuation Standards, 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

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 2023 (unaudited)

		Industrial	Retail (including retail warehouse)	Office	Other	Total
Fair value (£'000)		229,175	85,300	65,125	18,825	398,425
Area ('000 sq. ft)		2,403	448	390	198	3,439
Net passing rent psf per annum	Range	£2.36-£14.00	£2.99-£76.75	£6.99-£26.14	£1.05-£26.70	£1.05-£76.75
	Weighted average	£4.92	£13.80	£13.21	£7.95	£7.19
Gross ERV psf per annum	Range	£2.50-£19.25	£4.00 - £80.56	£8.47-£27.00	£2.00-£25.00	£2.00-£80.56
	Weighted average	£7.10	£15.46	£19.52	£8.51	£9.68
Net initial yield ⁽¹⁾	Range	2.61%-7.46%	0.00%-11.34%	0.00%-12.23%	6.00%-10.82%	0.00%-12.23%
	Weighted average	4.69%	6.62%	6.78%	7.65%	5.60%
Equivalent yield	Range	5.96%-9.35%	6.11%-12.22%	7.92%-11.33%	6.55%-9.88%	5.96%-12.22%
	Weighted average	6.82%	7.48%	9.42%	8.73%	7.58%

Notes: (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 2023 (audited)

		Industrial	Retail (including retail warehouse)	Office	Other	Total
Fair value (£000)		220,110	85,850	72,950	19,650	398,560
Area ('000 sq. ft)		2,396	448	424	198	3,466
Net passing rent per sq. ft per annum	Range	£2.36-£14.00	£2.99-£70.39	£10.50-£26.14	£1.05-£26.70	£0-£32.85
	Weighted average	£4.84	£14.06	£12.87	£8.96	£7.22
Gross ERV per sq. ft per annum	Range	£2.50-£17.50	£4.00-£80.56	£8.47-£27.00	£2.10-£13.00	£3.50-£32.85
	Weighted average	£6.88	£15.35	£18.57	£7.98	£9.51
Net initial yield ⁽¹⁾	Range	3.00%-13.12%	3.68%-21.60%	4.90%-13.35%	6.00%-10.82%	3.00%-21.6%
	Weighted average	4.87%	6.71%	6.6%	8.06%	5.70%
Equivalent yield	Range	5.35%-10%	5.50%-14.00%	7.25%-13.00%	6.04%-11.35%	5.35%-14.00%
	Weighted average	6.53%	7.33%	9.38%	8.82%	7.51%

Notes: (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

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 2023 (unaudited)	Industrial £000	Retail £000	Office £000	Other £000	Total £000
Increase in ERV by 5%	10,269	3,178	2,869	183	16,499
Decrease in ERV by 5%	(10,253)	(3,010)	(2,870)	(183)	(16,316)
Increase in net initial yield by 0.25%	(9,089)	(3,100)	(2,001)	(604)	(14,794)
Decrease in net initial yield by 0.25%	9,995	3,339	2,463	647	16,444

Estimated movement in fair value of investment properties at 31 March 2023 (audited)	Industrial £000	Retail £000	Office £000	Other £000	Total £000
Increase in ERV by 5%	9,852	3,280	3,039	161	16,332
Decrease in ERV by 5%	(9,764)	(3,018)	(5,195)	(161)	(18,138)
Increase in net initial yield by 0.25%	(8,774)	(3,119)	(2,263)	(627)	(14,783)
Decrease in net initial yield by 0.25%	9,678	3,374	2,717	673	16,442

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

7. Investment in joint ventures

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

For the year 1 April 2022 to 31 March 2023 (audited)

	£000
Opening balance as at 1 April 2022	83,700
Share of valuation profit	(11,513)
Closing balance as at 31 March 2023	72,187

For the period 1 April 2023 to 30 September 2023 (unaudited)

	£000
Opening balance as at 1 April 2023	72,187
Purchase of further units in Store Unit Trust	50
Share of net rental income	1,392
Distributions received/receivable	(1,392)
Share of valuation loss	(4,516)
Closing balance as at 30 September 2023	67,721

8. Trade and other receivables

	Six months to 30/09/2023 £000	Six months to 30/09/2022 £000	Year to 31/03/2023 £000
Rent receivable	4,391	3,028	3,578
Sundry debtors and prepayments	5,804	6,720	5,850
Lease incentives	8,267	8,630	8,198
Other capital debtors	–	–	4,000
	18,462	18,378	21,626

£4.72 million (gross of VAT) was owed by tenants as at the period end and a net bad debt provision of £0.3 million was made with regard to expected credit losses (31 March 2023: £0.4 million; 30 September 2022: £0.6 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.

Notes to the Interim Report continued

9. Cash and cash equivalents

As at 30 September 2023 the Group had £4.9 million in cash (31 March 2023: £8.4 million; 30 September 2022: £8.2 million).

10. Interest-bearing loans and borrowings

The Group has in place a £129.6 million loan facility with Canada Life. This has been in place since 16 April 2013 and has been refinanced several times, most recently in October 2019.

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 October 2023 Interest Payment Date, the Canada Life interest cover ratio was 611% (31 March 2023: 480%; 30 September 2022: 530%) against a covenant of 185%; the forecast interest cover ratio was 469% (31 March 2023: 449%; 30 September 2022: 502%) against a covenant of 185%; and the Loan to Value ratio was 48.1% (31 March 2023: 46.9%; 30 September 2022: 41.2%) 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 2023 contained properties valued at £269.63 million (31 March 2023: £271.83 million; 30 September 2022: £314.40 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 £75.0 million revolving credit facility (“RCF”) with the Royal Bank of Scotland with £46.0 million drawn down (31 March 2023: £48.3 million; 30 September 2022: £46.3 million). The facility carries an interest rate of a 1.65% margin plus three-month SONIA rate with a 0.62% non-utilisation fee and matures in June 2027.

As at the period end, the forecast interest cover ratio was 245% (31 March 2023: 411%; 30 September 2022: 310%) against a covenant of 200%; and the Loan to Value ratio was 28.9% (31 March 2023: 30.0%; 30 September 2022: 33.0%) 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 2023 contained properties valued at £159.4 million (31 March 2023: £160.8 million; 30 September 2022: £140.4 million).

As at 30 September 2023, the Group has total loan balances drawn of £175.59 million and £0.8 million of unamortised arrangement fees (31 March 2023: £177.89 million and £0.9 million of unamortised arrangement fees; 30 September 2022: £175.89 million and £0.9 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 2023, the fair value of the Group’s £129.6 million loan with Canada Life was £108.8 million (31 March 2023: £112.8 million; 30 September 2022: £111.8 million).

	Six months to 30/09/2023 £000	Six months to 30/09/2022 £000	Year to 31/03/2023 £000
Non-current liabilities			
Loan facilities	175,585	175,885	177,885
Unamortised arrangement fees	(841)	(912)	(952)
	174,744	174,973	176,933

11. Interest rate derivative contracts

In June 2023 the Group disposed of its interest cap, which had been due to expire in July 2023, and which was attributable to £30.5 million of the drawn loan sum of the RBSI revolving credit facility, for a sum of £190,000. This had previously been carried at a nil fair value and thus there was a gain on disposal of £190,000 recognised in the financial period.

In June 2023 the Group also completed on the acquisition of an interest rate collar which has a floor of 3.25% and a cap of 4.25%; which will expire on 6 June 2027; and which is attributable to £30.5 million of the drawn loan sum of the RBSI revolving credit facility. The cost to acquire this financial instrument was £770,000, including fees, and as at the 30 September 2023 it had a deemed fair value of £820,000 with an unrealised gain of £50,000 being recognised in the financial period.

12. Trade and other payables

	Six months to 30/09/2023 £000	Six months to 30/09/2022 £000	Year to 31/03/2023 £000
Deferred income	5,057	4,145	5,131
Rental deposits	1,949	2,038	1,850
Interest payable	1,318	1,034	1,101
Other payables and accruals	3,005	1,929	2,890
	11,329	9,146	10,972

13. NAV per ordinary share

The NAV per ordinary share is based on the net assets of £295,991,000 (31 March 2023: £300,689,000; 30 September 2022: £366,020,000) and 489,110,576 ordinary shares in issue at the Statement of Financial Position reporting date (31 March 2023: 489,110,576 and 30 September 2022: 489,110,576).

14. Financial risk factors

Since the Company's Annual Report and Consolidated Financial Statements was published in June 2023, the Board has noted that global geopolitical risk has since increased. Other than this, and as outlined on page 18, the principal risks and uncertainties are deemed to not have materially changed during the six months ended 30 September 2023. The Board regularly reviews and agrees policies for managing all key risks.

15. Related party transactions

Material agreements are disclosed in note 2. The Directors' remuneration for the six-months to 30 September 2023, for services to the Group was £95,810 (31 March 2023: £172,000; 30 September 2022: £88,000) of which £nil was outstanding at period end (31 March 2023: £nil; 30 September 2022: £nil). Transactions with joint ventures are disclosed in note 7.

16. Capital commitments

At 30 September 2023 the Group had capital commitments for capital expenditure of £6.8 million (31 March 2023: £7.7 million; 30 September 2022: £9.1 million).

17. Post balance sheet events

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

Other information

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Other Information

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 2023 £000	Six months to 30 September 2022 £000	Year to 31 March 2023 £000
Earnings per IFRS income statement	3,480	2,682	(54,715)
Adjustments to calculate EPRA earnings:			
Profit on the disposal of investment property	(5)	(1,513)	(1,184)
Profit on the disposal of financial instruments	(189)	–	–
Net unrealised valuation loss on investment property	636	3,718	60,107
Net change in fair value of financial instruments	(54)	–	–
Refinancing costs	–	247	247
Share of valuation loss in joint ventures	4,516	3,446	11,513
EPRA earnings	8,384	8,580	15,968
Weighted average number of Ordinary Shares	489,110,576	490,784,091	489,951,224
EPRA earnings per share (pence)	1.7	1.7	3.3

b. EPRA Net Reinstatement Value

	Six months to 30 September 2023 £000
IFRS equity attributable to shareholders	295,991
Adjustment in respect of real estate transfer taxes and costs	31,100
EPRA Net Reinstatement Value	327,091
Shares in issue at the end of the period	489,110,576
EPRA Net Reinstatement Value per share (pence)	66.9

c. EPRA Net Tangible Assets

	Six months to 30 September 2023 £000
IFRS equity attributable to shareholders	295,991
EPRA Net Tangible Assets	295,991
Shares in issue at the end of the period	489,110,576
EPRA Net Tangible Assets per share (pence)	60.5

d. EPRA Net Disposal Value

	Six months to 30 September 2023 £000
IFRS equity attributable to shareholders	295,991
Adjustment for the fair value of fixed interest rate debt	20,784
EPRA Net Disposal Value	316,775
Shares in issue at the end of the period	489,110,576
EPRA Net Disposal Value per share (pence)	64.8

Glossary

Alternative performance measure (“APM”)	please see page 36 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.
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 34) 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 34 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 21) 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 21).

Corporate Information

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Stephen Bligh
Priscilla Davies
Alexandra Innes

Investment Manager and Accounting Agent

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FATCA GIIN

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The Company's privacy notice is available on its webpage, <https://www.srei.co.uk>.

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