Schroder Real Estate Investment Trust Limited

Interim Report and Consolidated Financial Statements

For the period 1 April 2020 to 30 September 2020

For professional advisers and employee benefits consultants only

Schroders

About us

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

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

The Company is a Real Estate Investment Trust ('REIT') and benefits from the various tax advantages offered by the UK REIT regime. The Company continues to be declared as an authorised closed-ended investment scheme by the Guernsey Financial Services Commission under section 8 of the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended and the Authorised Closed-ended Investment Schemes Rules 2008.

Objective
The Company aims to provide shareholders with an attractive level of income and the potential for income and capital growth as a result of its investments in, and active management of, a diversified portfolio of UK commercial real estate.

The Company's dividend policy is to pay a sustainable level of distributions to shareholders. However, in light of market uncertainty relating to Covid-19 the Board postponed the dividend payment for the quarter to 31 March 2020, before reinstating the dividend at 50% of its prior level for the quarter to 30 June 2020 and then increasing to 75% of its prior level for the quarter to September 2020. The reinstatement and subsequent increase of the dividend is earlier than anticipated due to better than expected quarterly rent collection performance and earnings accretive activity. The level of the future quarterly dividend will be reviewed based on future rental collection rates, the recovery of arrears and portfolio activity. It is intended that successful execution of the Company's strategy will enable a progressive dividend policy to be adopted over the longer term.

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

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

Investment strategy
Our strategy is to own and actively manage a portfolio of properties located in the UK's Winning Cities and Regions. These locations are benefiting from higher economic growth resulting from structural changes such as urbanisation, rapid changes and growth of technology, changing demographics and social as well as positive impact themes. These locations have diversified local economies, sustainable occupational demand and favourable supply and demand characteristics. These properties offer good long-term fundamentals in terms of location and specification and are let at affordable rents, with the potential for income and capital growth due to good stock selection and asset management. We aim to grow income and enhance shareholder returns by capturing stronger economics in these locations by active management.

Covid-19
The interim financial period has been dominated by the impact of the Covid-19 pandemic and the resulting sharp economic downturn. Whilst the economy has seen a partial recovery, a difficult period ahead is expected throughout winter with second waves and government lockdowns reducing economic activity and weakening consumer confidence. The pandemic has accelerated structural changes. The retail and hospitality sectors are most exposed to social distancing restrictions, whereas online retail and technology-based businesses are experiencing strong demand due to home working. The UK government has taken unprecedented steps to support businesses but the pandemic will lead to lower corporate revenues which will lead to rising unemployment.

The Company's immediate focus has been on the safety and wellbeing of our tenants, suppliers and other stakeholders, whilst also protecting shareholders' long-term interests. The Investment Manager has worked with government and other stakeholders to bring forward the Covid-19 Code of Practice for commercial property which sets out the principles of behaviour and responses to tenant difficulties in a proportionate and measured way. Applying these principles has led to a high level of positive tenant engagement and a current rental collection rate over the period of approximately 86%.

Highlights for the period to 30 September 2020

- Sustained outperformance of real estate portfolio with a total return of -0.3% over the period versus the MSCI Benchmark Index of -1.3%
- Net asset value, ('NAV') total return, including dividends paid, of -2.2%[1] (30 September 2019: 1.3%)
- Active asset management strategy, with 46 new lettings, renewals and reviews since 1 April 2020 which contributed £2.0 million per annum of increased rental income
- Share buyback programme initiated with £2.3 million of shares purchased during the period delivering 0.7% accretion to shareholders
- 86% of the portfolio located in Winning Cities and Regions[2]
- 69% of the portfolio weighted to the office and industrial sectors, with a below Benchmark retail weighting and no shopping centres
- Loan to Value[1] ('LTV'), net of all cash, at 25.9%

1 This is an Alternative Performance Measure ('APM'), please see page 29 for details.
2 Winning Cities and Regions defined as higher growth locations – Source: Oxford Economics/Schroders.

Highlights continued

Net asset value ('NAV') total return[1]

(2019: 1.3%)

Amount spent on shares repurchased during the period and post period end

Value of property assets and share of joint venture property assets[2]

(30 September 2019: £456.2m)

Underlying earnings[3]

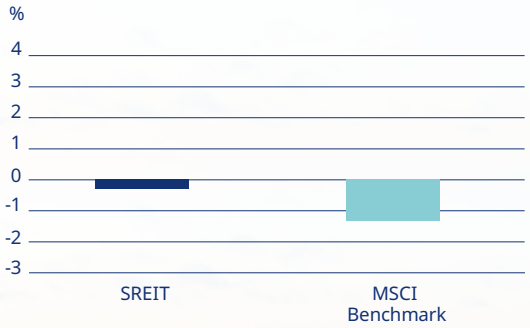
(30 September 2019: £6.7m)

1 This is an Alternative Performance Measure ('APM'), please see page 29 for details.
2 Reconciles to the valuation reports of Knight Frank for the direct portfolio and BNP for the joint ventures. Does not include any International Financial Reporting Standards ('IFRS') adjustment for lease incentives nor the fair value of leasehold adjustments.
3 Relates to European Public Real Estate Association ('EPRA') earnings, this is an APM, please see page 23 for details.

Portfolio total return vs. MSCI Benchmark[1]

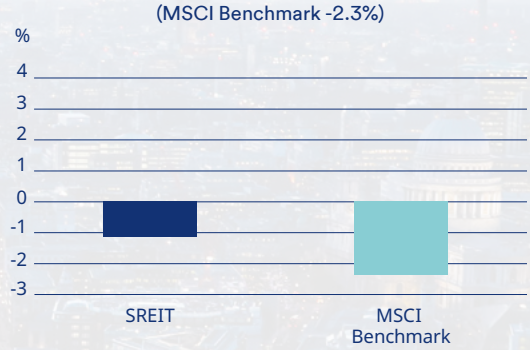
Six months

-0.3%
(MSCI Benchmark -1.3%)



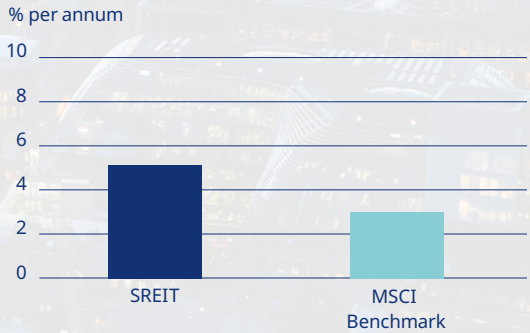
One year

-1.1%
(MSCI Benchmark -2.3%)



Three years

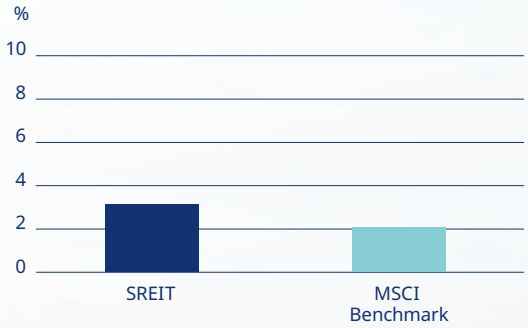
5.0% per annum
(MSCI Benchmark 2.9%)



Portfolio income return vs. MSCI Benchmark[1]

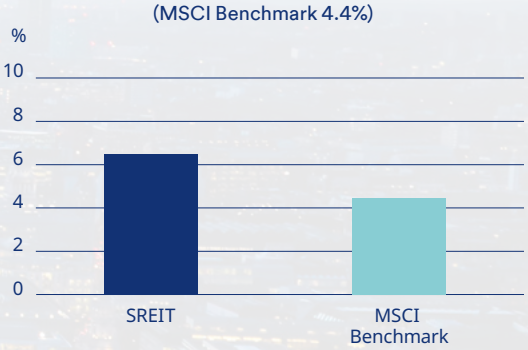
Six months

3.2%
(MSCI Benchmark 2.1%)



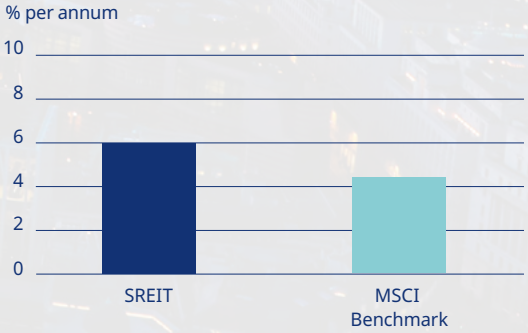
One year

6.4%
(MSCI Benchmark 4.4%)



Three years

6.0% per annum
(MSCI Benchmark 4.4%)



1 Source: MSCI property level returns gross of fees on a like-for-like basis including direct and indirect property investments. Past performance is not a guide to future performance and may not be repeated.

Performance Summary

Financial summary

	30 September 2020	30 September 2019	31 March 2020
NAV	**£296.8m**	£354.3m	£309.8m
NAV per ordinary share	**58.0p**	68.3p	59.7p
EPRA NAV[1]	**£296.8m**	£354.3m	£309.8m
(Loss)/profit for the period	**(£8.8m)**	£4.6m	(£32.5m)
EPRA earnings[2]	**£5.1m**	£6.7m	£12.7m

Capital values

	30 September 2020	30 September 2019	31 March 2020
Share price	**32.3p**	55.4p	38.9p
Share price discount to NAV[1]	**(44.3%)**	(18.9%)	(34.8%)
NAV total return[1]	**(2.2%)**	0.5%	(1.5%)[3]
FTSE All-Share Index	**3,282.25**	4,061.74	3,107.42
FTSE EPRA/NAREIT UK Real Estate Index	**1,414.44**	1,749.83	1,402.39

Earnings and dividends

	Six months to 30 September 2020	Six months to 30 September 2019	Year to 31 March 2020
IFRS earnings per share (pence)	**(1.7)**	0.9	(6.3)
IFRS earnings[2] per share (pence)	**1.0**	1.3	2.5
Dividends paid per share (pence)	**0.39**	1.30	2.72
Annualised dividend yield on 30 September/ 31 March share price[1]	**2.4%**	4.7%	7.0%

Bank borrowings

	30 September 2020	30 September 2019	31 March 2020
On-balance sheet borrowings[4]	**£182.1m**	£129.6m	£129.6m
Loan to Value ratio ('LTV'), net of all cash[1]	**25.9%**	23.1%[5]	23.7%

Ongoing charges

	Six months to 30 September 2020	Six months to 30 September 2019	Year to 31 March 2020
Ongoing charges (including fund and property expenses)[1]	**2.5%**	2.3%	2.3%
Ongoing charges (including fund only expenses)[1]	**1.3%**	1.4%	1.4%

1 This is an APM. Details of the calculation are included in the APM section on page 29.
2 This is an APM. EPRA calculations are included in the EPRA performance measures section on page 23.
3 This is an APM. Details are included in the APM section on page 29. This represents NAV total return excluding one-off refinancing costs of £27.4 million. NAV total return including finance costs of -9.4%.
4 On-balance sheet borrowings reflects the loan facilities with Canada Life and RBS without the deduction of unamortised finance costs of £0.7 million.
5 Adjusting for the refinancing and post period end disposals, the LTV ratio, net of cash, was approximately 22%.

Portfolio quality, active asset management and share repurchases supported income and total returns

Lorraine Baldry
Chairman

Overview

The interim financial period has been dominated by the impact of the Covid-19 pandemic and the resulting sharp economic downturn. Whilst the economy has seen a partial recovery, a difficult period ahead is expected throughout winter with further waves and government lockdowns reducing economic activity and weakening consumer confidence. The pandemic has accelerated structural changes. The retail and hospitality sectors are most exposed to social distancing restrictions, whereas online retail and technology-based businesses are experiencing strong demand due to home working. The UK government has taken unprecedented steps to support business, but the conclusion of the furlough scheme and lower corporate revenues will lead to rising unemployment.

Whilst our portfolio has been impacted by Covid-19, the strategy implemented by the Manager during recent years, including crystallising profits from asset management with profitable disposals, refinancing at a low interest cost, reducing leverage and share repurchases, have mitigated this negative impact. As a result, the Net Asset Value ('NAV') as at 30 September 2020 of £296.8 million or 58 pence per share ('pps'), compared with the NAV at the start of the period of £309.8 million or 59.7 pps, shows a decline of 1.7 pps or -2.8%. The NAV total return, including dividends paid of £2 million, was -2.2%. The NAV was enhanced by 0.7% from the share buyback programme during the period.

The underlying property portfolio continues to deliver strong relative performance compared with its peer group, with an underlying portfolio total return of -0.3% for the financial period compared with the MSCI Benchmark Index of -1.3%. The portfolio is now ranked on the 15th percentile of the Index since launch in 2004.

Strategy

The immediate focus in response to the Covid-19 pandemic has been on the safety and wellbeing of our tenants, suppliers and other stakeholders, whilst also protecting shareholders' long-term interests. The Investment Manager has worked with government and other stakeholders to bring forward the Covid-19 Code of Practice for commercial property which sets out the principles of behaviour and responses to tenant difficulties in a proportionate and measured way. Applying these principles across our portfolio has led to a high level of positive tenant engagement and a current rental collection rate over the period of approximately 86%.

The longer-term strategy remains focused on growing net income, reducing risk and increasing exposure to those Winning Cities and Regions which are expected to thrive in a post-pandemic landscape. The cities and regions with knowledge-based economies should benefit from an acceleration in the growth in tech, life sciences and professional services. We would also expect these centres to benefit disproportionally from growing fiscal spending in 'high multiplier' areas as well as infrastructure investment to boost future growth prospects.

The Company's diversified portfolio now consists of 39 assets with 294 tenants and a focus on regional offices in Winning Cities and multi-let industrial warehousing. The income is diverse, with our largest tenant representing only 6% of contracted rental income. The quality of the portfolio and sector weightings resulted in an encouraging level of activity over the period with 46 lettings, renewals and rent reviews completed.

Cash and undrawn credit facilities total approximately £79 million which provides capacity to make selective new acquisitions and invest further in the existing portfolio to improve its defensive characteristics. New acquisitions will focus on income resilience and successful deployment of this capacity is a key further step to growing net income and the level of dividend.

Share buybacks

On 8 September 2020 the Company announced a share buyback. During the financial period 7.1 million shares were acquired for £2.3 million which reflected an average price of 31.6 pps and an average discount to the June 2020 NAV of -45%. This resulted in NAV accretion of 0.7%. Since the period end a further 8.1 million shares have been acquired for £2.6 million which reflected an average price of 32.8 pps and an average discount to the September NAV of -43%. This resulted in additional NAV accretion, based on the September NAV of 0.7% and is also earnings accretive, increasing dividend cover.

Following the release of these interim results, the Board and Manager continue to believe that investment in the Company's shares at the prevailing price and discount to NAV offers attractive value for shareholders. The Company will therefore recommence its open market share buyback programme with immediate effect.

Dividend

In April 2020 the Board took the step to postpone the dividend payment originally due to be paid in June 2020. Following better than expected rent collection performance, an interim dividend of 0.38575 pps was paid in August 2020 that related to the period from 1 April 2020 to 30 June 2020. This is equivalent to 50% of the pre-Covid dividend per share.

Due to sustained rent collection performance and earnings accretive activity over the last quarter, an increased dividend of 0.575 pps will be paid in November 2020 relating to the period from 1 July 2020 to 30 September 2020. Future dividend increases will be considered dependent on further progress with rental collection rates, acquisitions and other earnings accretive activity.

Debt

The Company has two loan facilities, a £129.6 million term loan with Canada Life and a £52.5 million revolving credit facility ('RCF') with Royal Bank of Scotland International ('RBSI') which provide a low cost of debt and a blend of maturities in 2023, 2032 and 2039, reducing refinancing risk. In addition to the properties secured against the Canada Life and RBSI loan facilities, the Company has unsecured properties with a value of £38.9 million and cash of approximately £79 million. This results in a Loan to Value ratio, net of cash, of 25.9%.

The Investment Manager

In July 2020 the Company announced that Duncan Owen had decided to step down from his role as Global Head of Real Estate at the Investment Manager, Schroder Real Estate. Duncan will remain at Schroders until 31 December 2020.

From 1 January 2021 Duncan will become a special adviser to Schroders, with a particular focus on this Company. It has been agreed with the Board and Manager that Duncan will attend regular team meetings, Board meetings, strategic discussions, results presentations and shareholder meetings as required. This means he will continue to work closely with the Board and Nick Montgomery, who is joint manager with Duncan and who has worked with the Company and Duncan since its launch in 2004.

Responsible and impact investment

Responsible and impact investment is a priority and the Company achieved a three star rating in the annual Global Real Estate Sustainability Benchmark ('GRESB') survey in 2019 where our score increased by 16%. We are awaiting the global release of the 2020 GRESB survey. The Company also achieved an EPRA Best Practice Sustainability Reporting Gold Award for the year-end accounts for the third year in a row. This will continue to be a priority for the Board and the Manager.

Outlook

We expect the economic recovery to remain uneven during the first half of 2021. It is however forecast to pick up later next year assuming restrictions are relaxed with improvements in testing and the probable availability of a vaccine. Covid-19 related uncertainty is accompanied by the concluding Brexit negotiations where failure to deliver a trade agreement would have a damaging impact on economic activity. These risks could lead to average real estate values falling but this will be highly polarised between sectors and the asset class will be supported by continued low or, potentially, negative interest rates.

The Company is well positioned to manage the uncertain environment due to its strong balance sheet and diversified portfolio with an emphasis on sectors most likely to benefit from an economic recovery. Most importantly, cash and undrawn credit facilities of approximately £79 million enable the Company to invest in order to deliver further net income growth. A combination of new acquisitions, asset management and share buybacks should support income and total returns during the challenging market environment and ensure that Schroder Real Estate Investment Trust emerges from the pandemic in a robust position. We previously reinstated the dividend at 50% of the pre-Covid level and are now increasing this by 50% to 75% of the pre-Covid level; we will consider future increases dependent on progress with rental collection rates, acquisitions and other earnings accretive activity.

Lorraine Baldry
Chairman
Schroder Real Estate Investment Trust Limited

16 November 2020

Loan to Value, net of cash

25.9%

Quarterly dividend increased to

0.575pps

Investment Manager's Report

The Company continues to be in a robust position. Its underlying portfolio has outperformed the market again, rent collection rates have been positive, share buybacks have enhanced NAV and improved dividend cover further. This activity supported the reinstatement and subsequent increase in dividends.

The Company's Net Asset Value ('NAV') as at 30 September 2020 was £296.8 million or 58.0 pence per share ('pps'), compared with £309.8 million or 59.7 pps as at 31 March 2020. This reflected a decrease over the interim period of -1.7 pps, or -2.8%, with the underlying movement in NAV per share set out in the table below:

	£m	pps
NAV as at 31 March 2020	**309.8**	**59.7**
Unrealised change in valuation of direct real estate portfolio and joint ventures	(8.4)	(1.6)
Capital expenditure (direct portfolio and share of joint ventures)	(5.4)	(1.0)
Realised gains on disposals	Nil	Nil
Net revenue[1]	5.1	1.0
Dividend paid	(2.0)	(0.4)
Pro forma NAV as at 30 September 2020 excluding the share buyback	**299.1**	**57.7**
Share buyback	(2.3)	0.3
NAV as at 30 September 2020	**296.8**	**58.0**

The underlying portfolio, including joint ventures, decreased in value by -2.1% excluding capital expenditure over the six months to September 2020. Adjusting for capital expenditure, the value changed by -3.4%. The total return from the underlying portfolio including rental income was -0.3% which compared with the MSCI Benchmark of -1.3% on a like-for-like basis.

Net revenue for the period totalled £5.1 million, or 1.0 pps, which was 23% below the six months to 30 September 2019 due to disposals and provisions taken against uncollected rents and service charges. During the period dividends were paid of £2.0 million and shares were repurchased totalling £2.3 million at an average discount to the Company's NAV at 31 March 2020 of -46%. This resulted in a NAV total return for the period of -2.2%.

Post period end, a further £2.6 million of shares were repurchased at an average discount of -43% to the September 2020 NAV. This resulted in a further increase of +0.7% to the 30 September 2020 Net Asset Value.

1 Net revenue is equal to EPRA earnings as calculated on page 23.

Stacey Bushes Industrial Estate,
Milton Keynes

Investment Manager's Report continued

Strategy

The objectives over the period were:

- Mitigating the immediate effects of the Covid-19 pandemic on the portfolio including protecting both our shareholders and wider stakeholders interests;
- Evolve our strategy to reflect the longer-term structural changes arising from Covid-19 including changing working practices;
- Considering selective new investments to take advantage of market opportunities;
- Sustainably growing net income with the objective of increasing dividends paid to shareholders;
- Successfully executing asset management initiatives across the portfolio to enhance returns and the portfolios defensive qualities;
- Maintaining a strong balance sheet with a LTV within the target range of 25% to 35%; and
- Further integration and development of our sustainability and impact strategy.

The following progress has been made delivering against these objectives:

- Outperformance of the underlying portfolio, with a total return of -0.3% compared with the MSCI Benchmark of -1.3%. The underlying portfolio has now outperformed over one, three, five, ten years and since the Company's IPO in 2004;
- Owning a diversified portfolio of good quality assets in Winning Cities and Regions has supported values during the period and a low exposure to sectors most impacted by Covid-19 has contributed to sustained relative outperformance of the portfolio versus its MSCI Benchmark peer group;
- Good progress with rent collection. The rent collected in September 2020 for the quarter ending 31 December 2020 currently totals 86% of contracted rents, ahead of the equivalent date in the previous quarter. The breakdown between sectors is 94% of office rent collected, 99% of industrial rent collected, 60% of retail and leisure rent collected, and 96% of other rent collected. The Company remains in active dialogue with its tenants for all rents due to be paid.
- A disciplined approach to identifying new investment opportunities which reflect attractive pricing and strong fundamentals. A pipeline of acquisition opportunities are currently under active consideration;
- Active asset management including 46 new lettings, rent reviews and renewals since the start of the period totalling £6.0 million in annualised rental income and generating an additional £2.0 million of rent above the previous level;
- This activity enabled the Company to reinstate an interim dividend of 0.38575 pps paid for the quarter ended 30 June 2020. An increased dividend has been subsequently declared for the quarter ended 30 September 2020 of 0.575 pps, reflecting an increase of 50%. The increase follows progress with rental collection rates and other earnings accretive activities;
- Share buyback programme progressed ahead of identifying new acquisitions due to the attractive returns available. £2.3 million of shares repurchased during the period which enhanced the NAV by 0.7%, with a further £2.6 million acquired since the period end;
- Consolidated net LTV of 25.9%, at the bottom end of the target range of 25% to 35%. Cash and undrawn debt totalled approximately £79 million at period end providing valuable operational flexibility. The Revolving credit facility 'RCF' loan will be repaid in full on the 17 November 2020 in order to reduce interest cost; and
- Sustainability and impact related activity ongoing across the portfolio including further reductions in energy consumption, buildings improvements and tenant health and well being initiatives.

Market overview

The pandemic has caused a sharp fall in activity across the UK real estate market. However, following a record 22% decline in UK GDP in the first half of 2020, the third quarter saw a record 15% recovery as Covid-19 lockdown measures were lifted. However, some parts of the economy, and as a result certain types of real estate, have proven more resilient than others. The industry-wide material valuation uncertainty clauses, which have now been removed, also created negative sentiment and uncertainty during the period.

Although investment volumes have begun to recover over the past three months, the market is polarised. There is strong demand for prime assets offering safe haven qualities. Also, the strength of the industrial and logistics sectors have contrasted with weak demand for retail properties, which is compounded by rising corporate failures. The rise in home working has also led to a careful assessment of the future of the office sector. Whilst it is reasonable to assume that the pandemic will lead to a permanent increase in home working, there are concerns that remote working damages productivity by reducing informal team work, creativity, training, the exchange of new ideas and the most efficient execution of certain tasks. Furthermore, rental cost as a percentage of corporate costs for a typical office user are small relative to other costs such as compensation. This in part explains higher rental collection rates in the office sector compared with the other traditional sectors. We therefore expect the majority of occupiers to return to offices in due course, with businesses operating with greater flexibility. We also expect increased demand for office accommodation that promotes collaboration and a working environment which promotes employee health and wellbeing.

One of the structural changes accelerated by Covid-19 is the challenge to physical retail, with increased growth in online sales, reducing footfall and increasing structural vacancy. Shopping centres, where the Company has no exposure, and leisure assets have been the most negatively impacted by the lockdown measures. However, retail warehousing, which represents over 50% of the Company's retail exposure, have performed well relative to other parts of the retail market due to rents and service charges being more affordable and there continues to be strong demand from food and discount retailers. Moreover, social distancing is easier on retail parks and this year has seen a revival in DIY and furniture sales.

The increase in online retail sales has boosted demand for warehousing as occupiers increase their supply and storage network. Despite the strong take up in the second quarter of 2020, average industrial rental growth has slowed to around 1% per annum for all but the best multi-let estates situated in the most economically active locations. The Company's industrial exposure is predominantly across multi-let industrial estates in these urban locations which have experienced high levels of activity over the period. During the period 22 new industrial lettings, rent reviews and renewals completed. These totalled £1.6 million in annualised rental income and generate an additional £640,000 of annualised rent above the previous level. Reflecting the strong occupier demand, the average uplift on the previous passing rent on new lettings was 23% and 30% on lease renewals.

The recovery in investment transaction levels, as investors were able to inspect buildings following the initial lockdown, allowed valuers to remove the material uncertainty clauses mentioned above. Most open-ended real estate funds subsequently lifted deferrals on redemptions at the end of September leading to increased sales and activity. Whilst the second lockdown will depress activity levels and affect sentiment, average real estate yields remain at a large discount to bonds and are attractive compared with real estate yields in Europe and Asia, where income returns are lower. In addition, unlike in the global financial crisis, there is little pressure on investors to cut their real estate allocations. Despite this, the market remains fragile and exposed to both Covid-19 developments and headwinds arising from the UK's departure from the European Union.

Real estate portfolio

As at 30 September 2020 the portfolio comprised 39 properties valued at £397.8 million. This includes the Company's share of joint venture properties at City Tower in Manchester and the University of Law in Bloomsbury, London.

The portfolio generates rental income of £24.9 million per annum, reflecting a net initial income yield of 5.9% which compares with the MSCI Benchmark (the 'Benchmark') at 4.8%. The portfolio also benefits from fixed contractual annual rental uplifts of £2.7 million over the next 24 months. The independent valuers' estimate that the current rental value of the portfolio is £29.4 million per annum, reflecting a reversionary income yield of 7.4%, which compares favourably with the Benchmark at 5.3%. The Company's void rate is 7.1% calculated as a percentage on estimated rental value, with a weighted average lease length to the earlier of lease expiry or break of 5.6 years.

The data tables below summarise the portfolio information as at 30 September 2020.

City Tower,
Manchester

	Weighting (% of portfolio)	
Sector weightings by value	SREIT	Benchmark
City	0.0	3.7
Mid-town and West End	9.5	7.6
Rest of South East	7.3	8.9
Office Rest of UK	22.6	7.7
Offices	**39.4**	**27.9**
South Eastern	11.1	17.2
Industrial Rest of UK	18.6	9.8
Industrial	**29.7**	**26.9**
South East	0.6	8.5
Rest of UK	10.0	4.5
Shopping centres	0.0	3.3
Retail warehouse	12.6	9.1
Retail	**23.2**	**25.4**
– Retail single use	17.5	–
– Retail ancillary to main use	5.7	–
Other	**7.7**	**19.7**

Investment Manager's Report continued

Net Initial Yield

5.9%

(MSCI Benchmark: 4.8%)

Reversionary Yield

7.4%

(MSCI Benchmark: 5.4%)

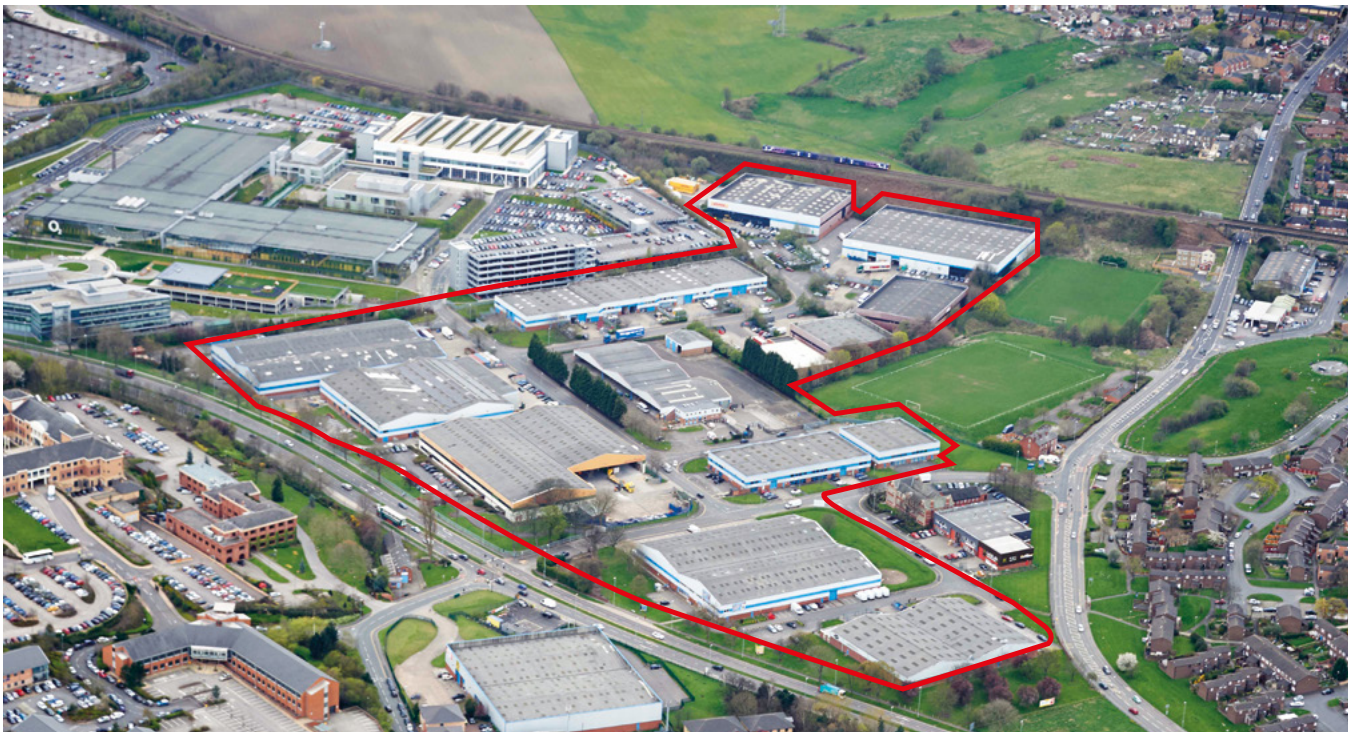
Regional weightings by value	Weighting (% of portfolio) SREIT	Benchmark
Central London[1]	9.5	21.4
South East excluding Central London	21.2	33.4
Rest of South	8.3	14.3
Midlands and Wales	27.2	12.2
North and Scotland	33.8	18.4
Northern Ireland	0.0	0.2

1 Note Central London is defined by MSCI as City, Mid-Town, West End and Inner London.

The top ten properties, including the share of the joint venture properties at City Tower in Manchester and Store Street in Bloomsbury, are set out below and comprise 66% of the portfolio value:

Top ten properties	Value (£m)	(% of portfolio)
1 Milton Keynes, Stacey Bushes Industrial Estate	41.4	10.4
2 Manchester, City Tower (25% share)	40.1	10.1
3 London, The University of Law (50% share)	37.7	9.5
4 Leeds, Millshaw Industrial Estate	35.9	9.0
5 Bedford, St John's Retail Park	27.0	6.8
6 Leeds, Headingley Central	24.5	6.2
7 Norwich, Union Park Industrial Estate	17.0	4.3
8 Uxbridge, 106 Oxford Road	17.0	4.3
9 Edinburgh, The Tun	11.1	2.8
10 Nottingham, The Arc	10.0	2.5
Total as at 30 September 2020	**261.6**	**65.7**

Stacey Bushes Industrial Estate,
Milton Keynes



Millshaw Industrial Estate,
Leeds

The Company's income is diverse with 294 tenants of which the Company's largest and top ten tenants represent 6.1% and 26.7% of the portfolio as a percentage of annual rent:

Top ten tenants		Rent p.a. (£m)	(% of portfolio)
1	University of Law Limited	1.58[1]	6.1[1]
2	Buckinghamshire New University	1.15	4.4
3	The Secretary of State	0.73	2.8
4	Cineworld Cinema Properties Limited	0.58	2.2
5	Matalan Retail Limited	0.57	2.2
6	Express Bi Folding Doors Limited	0.53	2.0
7	TJX UK Limited T/A Homesense	0.51	1.9
8	Jupiter Hotels Limited T/A Mercure	0.46	1.8
9	Sportsdirect.com Retail Limited	0.46	1.7
10	Premier Inn Hotels Limited	0.42	1.6
	Total as at 30 September 2020	**6.99**	**26.7**

1 As noted below, since the period end the University of Law rent review in Bloomsbury, London, has been settled at £1.85 million which, together with their rent paid in Manchester, increases their total rent to £2 million per annum or 7.5% of portfolio rent as at 30 September 2020.

Portfolio performance

A high level of asset management has led to continued outperformance of the underlying property portfolio compared with the MSCI Benchmark. The table below shows the performance to 30 September 2020 with the portfolio ranked on the 15th percentile of the Benchmark since IPO in 2004:

	SREIT total return				MSCI Benchmark total return				Relative			
Period to 30 September 2020	Six months (%)	One year (%)	Three years (% p.a.)	Since IPO (% p.a.)	Six months (%)	One year (%)	Three years (% p.a.)	Since IPO (% p.a.)	Six months (%)	One year (%)	Three years (% p.a.)	Since IPO (% p.a.)
Office	+1.7	+2.5	+5.9	+7.9	-0.5	+0.7	+4.3	+7.3	+2.2	+1.9	+1.5	+0.6
Industrial	+2.8	+5.5	+14.2	+9.4	+2.2	+4.5	+10.6	+8.6	+0.6	+0.9	+3.2	+0.8
Retail	-6.0	-12.0	-4.6	+3.8	-5.1	-11.2	-4.5	+3.4	-0.9	-1.0	-0.1	+0.4
Other	-8.7	-16.0	-1.6	+2.2	-1.8	-1.6	+4.5	+7.5	-7.0	-14.6	-5.9	-4.9
All sectors	**-0.3**	**-1.1**	**+5.0**	**+7.1**	**-1.3**	**-2.3**	**+2.9**	**+6.0**	**+1.0**	**+1.1**	**+2.0**	**+1.0**

Set out overleaf are four examples of our active management strategies.

Investment Manager's Report continued

Millshaw Industrial Estate, Leeds (industrial)

Asset strategy
The strategy for 2020 was to refurbish units to drive a higher rental income return, explore the potential for change of use over the longer term and acquire adjoining interests. This has continued to be a top performing asset with many active management examples.

Asset overview and performance
463,400 sq ft multi-let industrial estate in a prominent location comprising 27 units strategically located south of Leeds city centre close to the M62 and M621 motorways. As at 30 September 2020, the asset was valued at £35.9 million reflecting a net initial income yield of 5.0% and a reversionary yield of 6.3%.

Key activity
- Six new lettings, rent reviews and renewals completed during the period totalling £600,000 in annualised rental income and generating an additional £130,000 per annum of rent above the previous level. These included:
  - Lease completed on Unit 18 to Leeds South and East Foodbank at £31,500 per annum (£6.97 per sq ft).
  - Lease completed on Unit 8 with CitySprint on Unit 8 for ten years with a tenant only break in the fifth year at £90,000 per annum (£6.00 per sq ft).
- Working with the adjoining owner of the White Rose Office Park to promote a new station to service the location.

The Tun, Edinburgh (office)

Asset strategy
The strategy for 2020 was to capitalise on low supply in the Edinburgh office market and improve rents through new lettings, re-gears and rent reviews.

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 2020, the asset was valued at £11.1 million reflecting a net initial income yield of 4.3% and a reversionary yield of 6.7%.

Key activity
- Re-gear completed with the British Broadcasting Corporation ('BBC'), the largest tenant at the Tun. The transaction extended the term by five years from October 2021. The lease includes a fixed increase in 2021 from the passing rent of £195,500 to £225,000 per annum. In return the BBC receives six months rent free and the Company will complete improvement works at a cost of £675,000.
- Re-gear completed with the General Medical Council. The transaction extended the expiry from September 2021 to September 2026 with a break option in 2024. The passing rent increases from £55,000 per annum (£20.00 per sq ft) to £74,816 per annum or £27.50 per sq ft (valuation ERV £27.50 per sq ft) in September 2021 when the tenant will receive three months rent free.
- Rent review completed with the World Wildlife Fund was agreed at £63,400 per annum, reflecting a 45% increase on the prior rent.
- Rent review completed with the Edinburgh University Press was agreed at £67,900 per annum, a 30% increase on the prior rent.

The University of Law, London (office, SREIT 50% share)

Asset strategy
The strategy for 2020 was to continue dialogue with the University of Law to settle the outstanding rent review from December 2019 and consider longer-term alternative uses and potential redevelopment due to the improving location.

Asset overview and performance
The University of Law campus is an 85,814 sq ft, freehold office and educational campus comprising 0.8 acres over four properties. The asset is leased to the University of Law until December 2026 with five yearly upward-only rent reviews. As at 30 September 2020, the asset was valued at £37.7 million reflecting a net initial income yield of 3.6% and a reversionary yield of 4.7%.

Key activity
- Rent review with the University of Law completed post period end and the terms of the review are as follows:
  - New rent of £1,850,000 per annum or £42.12 per sq ft, which compares favourably with the prior rent of £1,434,500 per annum or £32.66 per sq ft. This delivers an annualised rental increase of £415,500 or 29%.
  - The Company will receive £326,708 of back rent due to the rent review being dated 17 December 2019 and, as part of the settlement, the tenant has received a three month rent free period.
  - The new rent reflects a yield of 4.9% based on the independent valuation as at 30 September 2020.
- The asset is located in an increasingly desirable area which will benefit from the new Crossrail station at Tottenham Court Road Station and infrastructure improvements relating to Camden Council's 'West End Project', including highway improvement measures to Tottenham Court Road and Gower Street, as well as a new pocket park at nearby Alfred Place. Combined with proximity to King's Cross and the University of Central London ('UCL'), this has led to increasing tenant demand in Bloomsbury and underpins future redevelopment value.

St John's Retail Park, Bedford (retail warehouse)

Asset strategy
The strategy for 2020 was to improve retailer mix and to negotiate new longer leases in order to preserve the rental income and manage void risk.

Asset overview and performance
St John's Retail Park comprises a 130,000 sq ft retail warehouse park 1.5 miles from the town centre. As at 30 September 2020, the asset was valued at £27.0 million reflecting a net initial income yield of 5.2% and a reversionary yield of 6.8%.

Key activity
- Lidl and Home Bargains opened in October 2020 and early indications are that this will have a significant positive impact on the scheme through increased footfall, attracting new occupiers and the retention of existing occupiers.
- Asset management activity delivered over period to 30 September 2020 includes completion of landlord works and new leases completed with Lidl and Home Bargains, a new ten year letting to Easy Bathrooms at £22.00 per sq ft and a re-gear with Curry's PC World for ten years term certain.
- Future asset management includes letting vacant units where we have already seen strong interest, supported by the recent footfall improvements due to the Lidl and Home Bargains openings.

Investment Manager's Report continued

Responsible investing with impact

Responsible Investment is integral to our investment philosophy and how Schroder Real Estate manages all its investments. Together with the Board, we believe that by understanding and managing the impact of Environmental, Social and Governance ('ESG') considerations we can generate better long-term returns for our clients, contribute to our tenants' business performance and create tangible benefits to the communities in which they are located.

Schroder Real Estate's sustainability programme is continually evolving, reflecting progression with industry sustainability targets, available technologies and the regulatory environment. Our programme looks to consistently improve the sustainability credentials of the Company's portfolio. In 2019, the Company's work was recognised with the achievement of a three star rating in the annual Global Real Estate Sustainability Benchmark ('GRESB') survey, where the score increased 16% from 2018 to 2019. We are awaiting the global release of the 2020 GRESB survey.

There is a strong focus on sustainability with our investment and asset management teams incorporating sustainability and impact credentials into all asset activities from new leases to capital expenditure. An Impact and Sustainability Action Plan ('ISAP') has to be prepared for assets taken to the Schroder Real Estate Investment Committee for all acquisition, major capital expenditure projects and disposals. The below summarises the ISAP for City Tower, Manchester, a 615,000 sq ft mixed use asset comprising office, hotel and ancillary retail. The City Tower Action Plan is under regular review by the building team and we present the status of the plan as at 30 September 2020:

- As the largest energy consuming asset in the portfolio, we have put in place resource to provide focus on identifying areas to save energy, ensuring that refurbishment works fully incorporate energy saving technologies and to drive a program of energy saving initiatives and engagement with our tenants.
- We continue to engage tenants in environmental and sustainability improvements. These include activities to help tenants and their employees minimise use of plastics and awareness weeks on how to eliminate waste from activities at work and home.
- We have implemented a range of health and wellbeing initiatives in response to increased tenant interest which include online Yoga classes.
- We are encouraging our tenants to travel in a green and active way with the opening of our new 'VeloZone' where there is increased cycle storage coupled with a drying room, showers and changing facilities.
- To engage tenants with this development, we held a competition and the name VeloZone was created by one of our tenants.
- Achieved a BREEAM In Use certification of Good for Part 2 Building Management. BREEAM In Use is an assessment method which assists with management and improvement of environmental impacts and performance for buildings in operation. Part 2 Building Management assesses the quality of management practices, policies and procedures related to the operation of the building.

In response to the market uncertainty in relation to the Covid-19 pandemic, a core part of protecting the long-term value of our portfolio continues to involve working to support our customers, occupiers, suppliers and team. Across the SREIT portfolio, Covid-19 risk assessments were undertaken covering all landlord areas in line with Government guidelines.

- For the managed office buildings, social distancing signage has been installed in common parts, one way access and egress systems implemented (as appropriate) and one person per lift policies introduced where recommended. Hand sanitiser units have been placed in reception areas and other access points. Protective screens have been installed on reception desks and furniture in common parts have either been removed or taken out of use. We encourage the use of face masks whilst circulating in the common areas. We have increased cleaning to touch points and have measures to respond to any confirmed cases. We have also implemented the NHS track and trace system.
- In our retail and leisure schemes social distancing signage, hand sanitiser points, use of facemasks and queuing systems have been implemented, as appropriate. Cleaning regimes have been enhanced and security presence where required to manage queues, social distancing and wearing of masks. For the Galaxy Centre, there are weekly meetings with the Luton BID to communicate up to date information regarding the pandemic nationally and locally.

Our property managers, MAPP, have engaged with all occupiers providing advice on building measures and procedures implemented and have provided them with occupier guides updated in line with government guidelines to share with their employees.

In relation to the environment, positive action is needed as the built environment is generally accepted to be responsible for 40% of global carbon emissions. In recognition of the role and responsibilities of the real estate industry and property owners, Schroder Real Estate signed the Better Buildings Partnership Climate Commitment in September 2019. This initiative supports the drive to net zero carbon in buildings and the first stage of this is to set out our pathway to net zero to 2050 by the end of 2020. This commitment is an extension of Schroder Real Estate's sustainability programme which includes targets to reduce energy consumption and greenhouse gas emissions across its UK portfolios.

Finance

The Company has two loan facilities, a £129.6 million term loan with Canada Life and a £52.5 million RCF with Royal Bank of Scotland International ('RBSI'). In addition to the properties secured against the Canada Life and RBSI loan facilities, the Company has unsecured properties with a value of £38.9 million and cash of £78.9[1] million. This results in a LTV ratio, net of cash, of 25.9%. As noted above, on 17 November 2020 the RCF will be repaid in full.

£129.6 million term loan with Canada Life

The loan is fully compliant with all covenants as summarised below:

Lender	Loan (£m)	Maturity	Total Interest rate[5] (%)	Asset value (£m)	LTV ratio[2] (%)	LTV ratio covenant (%)	Interest cover ratio ('ICR') (%)[3]	ICR ratio covenant (%)	Projected interest cover ratio (%)[4]	Projected ICR ratio covenant (%)
Canada Life Term Loan	129.6	50%: 15/10/2032 50%: 15/10/2039	2.5	254.1	51.0 (43.8 net of cash in facility)	65	359	185	331	185

1 Cash held at balance sheet date including £0.2 million of cash held within the joint ventures.
2 Loan balance divided by property value as at 30 September 2020.
3 For the quarter preceding the Interest Payment Date ('IPD'), (rental income received – void rates, void service charge and void insurance)/interest paid.
4 The projected ICR covenant for the contracted four quarters following the IPD deducting assumed non-recoverable costs (void rates, void service charge and void insurance)/interest paid) based on the average of the past four quarters.
5 Fixed total interest rate for the loan term.

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

- Net LTV on the secured assets against this loan is 43.8%. On this basis the properties charged to Canada Life could fall in value by 33% prior to the 65% LTV covenant being reached;
- The interest cover ratio is 359% based on actual net rents for the quarter to September 2020. A 48% 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 73% and 54% respectively prior to either the LTV or interest cover ratio covenants being breached.

£52.5 million RCF with RBSI

At 30 September 2020, the RCF was fully drawn. The loan is fully compliant with its covenants as summarised below:

Lender	Loan (£m)[1]	Maturity	Total interest rate[2] (%)	Asset value (£m)	LTV ratio[3] (%)	LTV ratio covenant (%)[4]	Interest cover ratio ('ICR') (%)[5]	ICR ratio covenant (%)	Projected interest cover ratio (%)[6]	Projected ICR ratio covenant (%)
RBS RCF	52.5	03/07/2023	2.3	104.8	50.1	65[6]	871	250	542	250

1 Facility drawn at 30 September 2020 from a total available facility of £52.5 million.
2 Total interest rate as at 30 September 2020 comprising three months LIBOR of 0.7% and the margin of 1.6% at an LTV below 60% and a margin of 1.90% above 60% LTV.
3 Loan balance divided by property value as at 30 September 2020.
4 This covenant drops to 60% after year three of the five-year term.
5 For the quarter preceding the IPD, (rental income received – void rates, void service charge and void insurance)/interest paid.
6 The projected ICR covenant of the contracted four quarters following the IPD deducting assumed non-recoverable costs (void rates, void service charge and void insurance)/interest paid) based on the average of the past four quarters.

The Company has significant headroom within its LTV and ICR covenants summarised below:

- Net LTV on the secured assets against this loan is 50.1%. On this basis the properties charged to RBSI could fall in value by 23% prior to the 65% LTV covenant being breached, although while the Company is holding the balance drawn in cash, no breach of the LTV covenant would occur; and
- The interest cover ratio is 871% based on actual net rents. A 58% fall in net income could be sustained prior to the loan covenant of 250% being breached.

As noted above, on 17 November 2020 the RCF will be repaid in full to reduce interest costs. The Company has the ability to repay and redraw the facility as often as required and can withdraw funds for acquisitions with three days' notice.

Outlook

The portfolio performance remains good despite operating against a highly uncertain backdrop. A number of strategic initiatives were completed in 2019, notably the disposal of £95 million of assets and the refinancing of the Company's long-term debt to reduce interest cost. This resulted in a strong balance sheet and a diversified portfolio with an emphasis on sectors most likely to benefit from an economic recovery. This activity supported the reinstatement and subsequent increase in dividends. We are now focused on the disciplined use of capital via acquisitions and share repurchases to drive shareholder returns.

The outlook for the UK economy and real estate market remains uncertain due to the ongoing Covid-19 pandemic and the upcoming departure of the UK from the European Union. The extent of the downturn, and shape of the recovery, are as yet unknown. Our approach is evolving to respond to both near-term challenges and the longer-term structural changes arising from Covid-19. A combination of new acquisitions, asset management and share buybacks should support income and total returns during the challenging market environment and ensure that Schroder Real Estate Investment Trust emerges from the pandemic in a robust position.

Duncan Owen
Investment Manager

Nick Montgomery
Investment Manager

Schroder Real Estate Investment Management Limited

16 November 2020

Responsibility Statement of the Directors in Respect of the Interim Report

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

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

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

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

By order of the Board

Lorraine Baldry
Chairman

16 November 2020

Independent Review Report to Schroder Real Estate Investment Trust Limited

Introduction

We have been engaged by Schroder Real Estate Investment Trust Limited (the 'Company'), to review the Unaudited Condensed Consolidated Financial Statements ('Interim Financial Statements') in the Interim Report and Consolidated Financial Statements for the six months ended 30 September 2020 which comprise the Unaudited Condensed Consolidated Statement of Comprehensive Income, Unaudited Condensed Consolidated Statement of Financial Position, Unaudited Condensed Consolidated Statement of Changes in Equity, Unaudited Condensed Consolidated Statements of Cash Flows, and related notes 1 to 15. We have read the other information contained in the Interim Report and Consolidated Financial Statements and considered whether it contains any apparent misstatements or material inconsistencies with the information in the Interim Financial Statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) ('ISRE 2410') 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The Interim Report and Consolidated Financial Statements are the responsibility of, and have been approved by, the directors. The directors are responsible for preparing the Interim Report and Consolidated Financial Statements in accordance with the Disclosure Guidance and Transparency Rules ('DTR') of the United Kingdom's Financial Conduct Authority ('FCA'). As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board. The Interim Financial Statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting'.

Our responsibility

Our responsibility is to express to the Company a conclusion on the Interim Financial Statements in the Interim Report and Consolidated Financial Statements based on our review.

Scope of Review

We conducted our review in accordance with ISRE 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review nothing has come to our attention that causes us to believe that the Interim Financial Statements in the Interim Report and Consolidated Financial Statements for the six months ended 30 September 2020 are not prepared, in all material respects, in accordance with International Accounting Standard 34 and the DTR of the United Kingdom's FCA.

Ernst & Young LLP
Guernsey, Channel Islands

16 November 2020

Condensed Consolidated Statement of Comprehensive Income

	Notes	**Six months to 30/09/2020 £000 (unaudited)**	Six months to 30/09/2019 £000 (unaudited)	Year to 31/03/2020 £000 (audited)
Rental income		**10,288**	11,755	22,160
Other income		**139**	1,089	1,333
Property operating expenses		**(1,724)**	(1,237)	(2,248)
Net rental and related income, excluding joint ventures		**8,703**	11,607	21,245
Share of total net income in joint ventures		**1,276**	1,290	2,567
Net rental and related income, including joint ventures		**9,979**	12,897	23,812
Profit on disposal of investment property	5	**–**	1,536	1,897
Net valuation loss on investment property	5	**(13,500)**	(3,507)	(17,364)
Expenses				
Investment management fee	2	**(1,449)**	(1,802)	(3,470)
Valuers' and other professional fees		**(768)**	(849)	(1,629)
Administrator's fee	2	**(60)**	(60)	(120)
Auditor's remuneration		**(83)**	(66)	(140)
Directors' fees		**(75)**	(75)	(150)
Other expenses		**(158)**	(42)	(303)
Total expenses		**(2,593)**	(2,894)	(5,812)
Net operating (loss)/profit before net finance costs		**(7,390)**	6,742	(34)
Interest receivable		**74**	–	–
Refinancing costs		**–**	–	(27,364)
Finance costs		**(2,342)**	(3,323)	(5,271)
Net finance costs		**(2,268)**	(3,323)	(32,635)
Share of total net income in joint ventures	6	**1,276**	1,290	2,567
Share of net valuation loss in joint ventures	6	**(394)**	(94)	(2,357)
(Loss)/Profit and total comprehensive income for the period attributable to the equity holders of the parent		**(8,776)**	4,615	(32,459)
Basic and diluted earnings per share	3	**(1.7p)**	0.9p	(6.3p)

All items in the above statement are derived from continuing operations. The accompanying notes 1 to 15 form an integral part of the condensed interim financial statements.

Condensed Consolidated Statement of Financial Position

	Notes	30/09/2020 £000 (unaudited)	30/09/2019 £000 (unaudited)	31/03/2020 £000 (audited)
Investment property	5	**313,083**	331,695	321,382
Investment in joint ventures	6	**77,591**	80,071	77,985
Non-current assets		**390,674**	411,766	399,367
Trade and other receivables	7	**18,535**	49,360	15,115
Cash and cash equivalents	8	**78,675**	23,348	33,051
Investment property held for sale	5	**–**	8,373	–
Current assets		**97,210**	81,081	48,166
Total assets		**487,884**	492,847	447,533
Issued capital and reserves		**325,482**	380,703	336,258
Treasury shares		**(28,708)**	(26,452)	(26,452)
Equity		**296,774**	354,251	309,806
Interest-bearing loans and borrowings	9	**181,351**	127,406	128,667
Lease liability	5	**2,412**	2,655	2,416
Non-current liabilities		**183,763**	130,061	131,083
Trade and other payables	10	**7,347**	8,535	6,644
Current liabilities		**7,347**	8,535	6,644
Total liabilities		**191,110**	138,596	137,727
Total equity and liabilities		**487,884**	492,847	447,533
Net Asset Value per ordinary share	11	**58.0p**	68.3p	59.7p

The financial statements on pages 18–27 were approved at a meeting of the Board of Directors held on 16 November 2020 and signed on its behalf by:

Lorraine Baldry
Chairman

The accompanying notes 1 to 15 form an integral part of the condensed interim financial statements.

Condensed Consolidated Statement of Changes in Equity

For the period from 1 April 2020 to 30 September 2020 (unaudited)

	Notes	Share premium £000	Treasury share reserve £000	Revenue reserve £000	Total £000
Balance as at 31 March 2019		**219,090**	**(26,452)**	**163,738**	**356,376**
Profit for the period		–	–	4,615	4,615
Dividends paid	4	–	–	(6,740)	(6,740)
Balance as at 30 September 2019		**219,090**	**(26,452)**	**161,613**	**354,251**

For the year ended 31 March 2020 (audited) and for the period from 1 April 2020 to 30 September 2020 (unaudited)

	Notes	Share premium £000	Treasury share reserve £000	Revenue reserve £000	Total £000
Balance as at 31 March 2019		**219,090**	**(26,452)**	**163,738**	**356,376**
Loss for the year		–	–	(32,459)	(32,459)
Dividends paid	4	–	–	(14,111)	(14,111)
Balance as at 31 March 2020		**219,090**	**(26,452)**	**117,168**	**309,806**
Share buyback	11	**–**	**(2,256)**	**–**	**(2,256)**
Loss for the period		**–**	**–**	**(8,776)**	**(8,776)**
Dividend paid	4	**–**	**–**	**(2,000)**	**(2,000)**
Balance as at 30 September 2020		**219,090**	**(28,708)**	**106,392**	**296,774**

The accompanying notes 1 to 15 form an integral part of the condensed interim financial statements.

Condensed Consolidated Statement of Cash Flows

	Six months to 30/09/2020 £000 (unaudited)	Six months to 30/09/2019 £000 (unaudited)	Year to 31/03/2020 £000 (audited)
Operating activities			
(Loss)/profit for the period/year	**(8,776)**	4,615	(32,459)
Adjustments for:			
Profit on disposal of investment property	**–**	(1,536)	(1,897)
Net valuation loss on investment property	**13,500**	3,507	17,364
Share of profit of joint ventures	**(882)**	(1,195)	(210)
Net finance cost	**2,268**	3,323	32,635
Operating cash generated before changes in working capital	**6,110**	8,714	15,433
(Increase)/decrease in trade and other receivables	**(3,421)**	328	(1,645)
Increase/(decrease) in trade and other payables	**702**	(852)	(2,743)
Cash generated from operations	**3,391**	8,190	11,045
Finance costs paid	**(2,034)**	(3,189)	(5,698)
Interest received	**74**	–	–
Net cash from operating activities	**1,431**	5,001	5,347
Investing activities			
Proceeds from the sale of investment property	**–**	34,378	80,034
Additions to investment property	**(5,205)**	(2,623)	(6,504)
Acquisition of investment property	**–**	–	–
Investment in joint ventures	**–**	–	(177)
Net income distributed from joint ventures	**1,154**	1,290	2,567
Net cash (used in)/from investing activities	**(4,051)**	33,045	75,920
Financing activities			
Share buyback	**(2,256)**	–	–
Repayment of external debt	**–**	(29,000)	(29,000)
Drawdown of external debt	**52,500**	–	–
Refinancing fees paid	**–**	–	(26,147)
Dividends paid	**(2,000)**	(6,740)	(14,111)
Net cash from/(used in) financing activities	**48,244**	(35,740)	(69,258)
Net increase in cash and cash equivalents for the period/year	**45,624**	2,306	12,009
Opening cash and cash equivalents	**33,051**	21,042	21,042
Closing cash and cash equivalents	**78,675**	23,348	33,051

The accompanying notes 1 to 15 form an integral part of the condensed interim financial statements.

Notes to the Interim Report

1. Significant accounting policies

Schroder Real Estate Investment Trust Limited ('the Company') is a closed-ended investment company incorporated in Guernsey. The condensed interim financial statements of the Company for the period ended 30 September 2020 comprise the Company, its subsidiaries and its interests in joint ventures (together referred to as the 'Group').

Statement of compliance

The condensed interim financial statements have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom Financial Conduct Authority and IAS 34 Interim Financial Reporting. They do not include all the information required for the full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 March 2020. 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 2020. The financial statements for the year ended 31 March 2020 have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board. The Group's annual financial statements refer to new Standards and Interpretations.

Going concern

On 11 March 2020 the World Health Organisation declared the outbreak of the Novel Coronavirus (Covid-19) a global pandemic.

Subsequently, the Directors have examined significant areas of possible financial risk, including the non-collection of rent and service charges as a result of the Covid-19 pandemic and potential resulting falls in property valuations; have reviewed cash flow forecasts; and have analysed forward-looking compliance with third party debt covenants, in particular the LTV covenant and interest cover ratios.

Overall, after utilising available cash, excluding the cash held against the Royal Bank of Scotland ('RBS') facility, and uncharged properties and units in joint ventures, and based on the reporting period to 30 September 2020, property valuations would have to fall by 33% before the relevant Canada Life LTV covenants were breached, and actual net rental income would need to fall by 48% before the interest cover covenants were breached.

The Board and Investment Manager are closely monitoring the potential impact the Covid-19 pandemic may have on the Company's rental collection and the requirement to distribute dividends in accordance with the REIT regulations. The Company's dividend policy will be kept under constant review to ensure the Company's liquid resources will be sufficient to cover any working capital requirements.

The Directors have not identified any material uncertainties which would cast significant doubt on the Group's ability to continue as a going concern for a period of not less than 12 months from the date of the approval of the condensed interim financial statements. In addition to the matters described above, in arriving at their conclusion the Directors have also considered:

- The current cash balance at 16 November 2020 of approximately £78 million (which includes the full £52.5 million drawn down on the RBS revolving credit facility ('RCF'));
- The Canada Life loan being 50% payable in October 2032 and 50% payable in October 2039;
- The nature and timing of the Company's income and expenses; and
- That the Investment Manager and Administrator continue to invoke their business continuity plans to help ensure the safety and well-being of their staff thereby retaining the ability to maintain the Company's business operations.

The Directors have satisfied themselves that the Group has adequate resources to continue in operational existence for the foreseeable future. After due consideration, the Board believes it is appropriate to adopt the going concern basis in preparing the condensed interim financial statements.

Use of estimates and 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 judgements and estimates used by management as disclosed in the last annual report and financial statements for the year ended 31 March 2020.

Segmental reporting

The Directors are of the opinion that the Group is engaged in a single segment of business, being property investment, and in one geographical area, the United Kingdom. There is no one tenant that represents more than 10% of group revenues. The chief operating decision maker is considered to be the Board of Directors who are provided with consolidated IFRS information on a quarterly basis.

2. Material agreements

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

The Investment Manager is entitled to a fee, together with reasonable expenses incurred in the performance of its duties. The fee is payable monthly in arrears and shall be an amount equal to one 12th of the aggregate of 1.1% of the NAV of the Company. The Investment Management Agreement can be terminated by either party on not less than 12 months' written notice or on immediate notice in the event of certain breaches of its terms or the insolvency of either party. The total charge to profit during the period was £1,449,000 (year to 31 March 2020: £3,470,000; six months to 30 September 2019: £1,802,000). At the period end £646,000 (31 March 2020: £295,000; 30 September 2019: £497,000) was outstanding.

The Board has appointed Northern Trust International Fund Administration Services (Guernsey) Limited as the Administrator to the Company. The Administrator is entitled to an annual fee equal to £120,000 of which £nil (31 March 2020: £30,000; 30 September 2019: £30,000) was outstanding at the period end. The Board has also appointed Northern Trust as the Company's depositary at an annual fee of £40,000.

3. Basic and diluted earnings per share

The basic and diluted earnings per share for the Group is based on the loss for the period of £8,776,000 (31 March 2020: loss of £32,459,000; 30 September 2019: profit of £4,615,000) and the weighted average number of ordinary shares in issue during the period of 518,056,505 (31 March 2020: 518,513,409 and 30 September 2019: 518,513,409).

3. Basic and Diluted Earnings per share continued

EPRA earnings reconciliation

As recommended by the European Public Real Estate Association ('EPRA'), EPRA performance measures are disclosed in the section below. EPRA earnings are an Alternative Performance Measure ('APM') and the reconciliation to IFRS profit can be seen below.

	Six months to 30/09/2020 £000	Six months to 30/09/2019 £000	Year to 31/03/2020 £000
(Loss)/profit after tax	**(8,776)**	4,615	(32,459)
Adjustments to calculate EPRA Earnings exclude:			
Profit on disposal of investment property	**–**	(1,536)	(1,897)
Net valuation loss on investment property	**13,500**	3,507	17,364
Share of valuation loss in joint ventures	**394**	94	2,357
Refinancing costs	**–**	–	27,364
EPRA earnings	**5,118**	6,680	12,729
Weighted average number of ordinary shares	**518,056,505**	518,513,409	518,513,409
EPRA earnings per share (pence)	**1.0**	1.3	2.5

EPRA earnings per share reflects the underlying performance of the Group calculated in accordance with the EPRA guidelines. EPRA earnings represents the net income generated from the operational activities of the Group. It excludes all capital components not relevant to the underlying net income performance of the portfolio, such as the realised and unrealised fair value gains or losses on investment properties.

4. Dividends paid

In respect of	**Number of ordinary shares**	**Rate (pence)**	**01/04/2020 to 30/09/2020 £000**
Quarter ended 30 June 2020 (paid 18 August 2020)	**518.51 million**	**0.39**	**2,000**

In respect of	Number of ordinary shares	Rate (pence)	01/04/2020 to 30/09/2020 £000
Quarter ended 31 March 2019 (paid 7 June 2019)	518.51 million	0.65	3,370
Quarter ended 30 June 2019 (paid 16 August 2019)	518.51 million	0.65	3,370
		1.30	6,740

In respect of	Number of ordinary shares	Rate (pence)	01/04/2020 to 30/09/2020 £000
Quarter ended 31 March 2019 (paid 7 June 2019)	518.51 million	0.65	3,370
Quarter ended 30 June 2019 (paid 16 August 2019)	518.51 million	0.65	3,370
Quarter ended 30 Sept 2019 (paid 18 December 2019)	518.51 million	0.65	3,370
Quarter ended 31 Dec 2019 (paid 11 March 2020)	518.51 million	0.77	4,001
		2.72	14,111

A dividend for the quarter ended 30 September 2020 of 0.575p (£2.9 million) was approved on 12 November 2020 and will be paid on 11 December 2020.

5. Investment property and investment property held for sale

For the period 1 April 2019 to 30 September 2019 (unaudited)

	Leasehold £000	Freehold £000	Total £000
Fair value as at 1 April 2019	39,822	331,275	371,097
Additions	31	2,592	2,623
Gross proceeds on disposals	–	(34,336)	(34,336)
Realised gain on disposals	–	1,536	1,536
Fair value leasehold adjustment	2,655	–	2,655
Net valuation loss on investment property	(1,405)	(2,102)	(3,507)
Fair value as at 30 September 2019	**41,103**	**298,965**	**340,068**

The balance above includes:

	Leasehold £000	Freehold £000	Total £000
Investment property	41,103	290,592	331,695
Investment property held for sale	–	8,373	8,373
Fair value as at 30 September 2019	**41,103**	**298,965**	**340,068**

Notes to the Interim Report continued

5. Investment property and investment property held for sale continued
For the year 1 April 2019 to 31 March 2020 (audited)

	Leasehold £000	Freehold £000	Total £000
Fair value as at 1 April 2019	39,822	331,275	371,097
Additions	34	6,470	6,504
Gross proceeds on disposals	–	(43,168)	(43,168)
Realised gain on disposals	–	1,897	1,897
Fair value leasehold adjustment	2,416		2,416
Net valuation loss on investment property	(5,454)	(11,910)	(17,364)
Fair value as at 31 March 2020	36,818	284,564	321,382

For the period 1 April 2020 to 30 September 2020 (unaudited)

	Leasehold £000	Freehold £000	Total
Fair value as at 1 April 2020	**36,818**	**284,564**	**321,382**
Additions	**5**	**5,200**	**5,205**
Realised gain on disposals	**–**	**–**	**–**
Fair value leasehold adjustment	**(4)**	**–**	**(4)**
Net valuation loss on investment property	**(3,210)**	**(10,290)**	**(13,500)**
Fair value as at 30 September 2020	**33,609**	**279,474**	**313,083**

No investment properties have been determined to meet the criteria of a held for sale asset at the period end (31 March 2020: £nil; 30 September 2019: £8,373,000).

The fair value of investment property, as determined by the valuer, totals £320,050,000 (31 March 2020: £328,300,000; 30 September 2019: £376,425,000). None of this sum was in relation to an unconditional exchange of contracts (March 2020: £nil; September 2019: £29,250,000).

As at 30 September 2020, £9,379,000 (31 March 2020: £9,334,000; 30 September 2019: £9,737,000) in connection with lease incentives is included within trade and other receivables. A further adjustment of £2,412,000 is included in non-current liabilities (31 March 2020: £2,416,000; September 2019: £2,655,000) relating to the fair value of the leasehold element of The Galaxy, Luton.

The fair value of investment property has been determined by Knight Frank LLP, a firm of independent chartered surveyors, who are registered independent appraisers. The valuation has been undertaken in accordance with the RICS Valuation – Global Standards 2017, which incorporates the International Valuation Standards, and the RICS National Supplement effective from January 2019, 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.

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 2020 (unaudited)

		Industrial	Retail (incl retail warehouse)	Office	Other	Total
Fair value (£'000)		**118,300**	**91,300**	**93,200**	**17,250**	**320,050**
Area ('000 sq ft)		**1,414**	**522**	**463**	**177**	**2,576**
Net passing rent psf per annum	Range weighted average	**£0–£10.00** **£5.78**	**£0–£38.50** **£11.66**	**£0–£29.10** **£14.24**	**£0–£13.00** **£4.98**	**£0–£38.50** **£7.69**
Gross ERV psf per annum	Range weighted average	**£3.75–£12.00** **£5.78**	**£7.10–£29.80** **£13.63**	**£10.00–£26.00** **£17.14**	**£2.10–£13.00** **£4.84**	**£2.10–£29.80** **£9.15**
Net initial yield[1]	Range weighted average	**4.32%–6.81%** **5.20%**	**0% –10.80%** **6.24%**	**3.28%–10.12%** **6.63%**	**4.79%–10.76%** **7.91%**	**0%–10.76%** **6.06%**
Equivalent yield	Range weighted average	**5.54%–7.04%** **6.42%**	**5.75%–10.09%** **7.32%**	**5.76%–9.30%** **7.59%**	**4.79%–8.54%** **7.08%**	**4.79%–10.09%** **6.81%**

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

5. Investment property and Investment property held for sale continued

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

		Industrial	Retail (incl retail warehouse)	Office	Other	Total
Fair value (£000)		116,150	98,400	95,100	18,650	328,300
Area ('000 sq ft)		1,398	527	463	177	2,565
Net passing rent per sq ft per annum	Range weighted average	£0–£10.00 £4.64	£0–£38.50 £11.72	£0–£29.10 £15.02	£0–£13.00 £8.22	£0–£38.50 £8.22
Gross ERV per sq ft per annum	Range weighted average	£3.75–£10.00 £5.50	£4.30–£31.80 £14.36	£10.00–£26.00 £17.05	£2.10–£13.00 £8.49	£2.10–£31.80 £9.61
Net initial yield[1]	Range weighted average	4.75%–6.52% 5.23%	0%–11.50% 5.88%	5.36%–9.58% 6.85%	4.85%–8.31% 7.33%	0%–11.50% 6.01%
Equivalent yield	Range weighted average	5.30%–6.75% 6.25%	5.71%–9.82% 6.97%	5.56%–9.93% 7.48%	4.85%–7.99% 6.84%	4.85%–9.93% 6.87%

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 are shown below:

Estimated movement in fair value of investment properties at 30 September 2020 (unaudited)	**Industrial £'000**	**Retail £'000**	**Office £'000**	**Other £'000**	**Total £'000**
Increase in ERV by 5%	**5,761**	**3,595**	**4,313**	**642**	**14,341**
Decrease in ERV by 5%	**(5,396)**	**(3,164)**	**(4,169)**	**(245)**	**(12,974)**
Increase in net initial yield by 0.25%	**(5,428)**	**(3,520)**	**(3,387)**	**(528)**	**(12,686)**
Decrease in net initial yield by 0.25%	**5,977**	**3,814**	**3,652**	**563**	**13,778**

Estimated movement in fair value of investment properties at 31 March 2020 (audited)	Industrial £'000	Retail £'000	Office £'000	Other £'000	Total £'000
Increase in ERV by 5%	5,611	4,238	4,520	638	15,007
Decrease in ERV by 5%	(5,589)	(3,894)	(4,221)	(392)	(14,096)
Increase in net initial yield by 0.25%	(5,303)	(4,015)	(3,347)	(615)	(13,107)
Decrease in net initial yield by 0.25%	5,836	4,371	3,600	659	14,245

6. Investment in joint ventures

For the period 1 April 2019 to 30 September 2019 (unaudited)

	£000
Opening balance as at 1 April 2019	80,165
Share of net rental income	1,290
Distributions received	(1,290)
Share of valuation loss	(94)
Amounts recognised as joint ventures at 30 September 2019	**80,071**

For the year 1 April 2019 to 31 March 2020 (audited)

	£000
Opening balance as at 1 April 2019	80,165
Share of net rental income	2,567
Distributions received	(2,567)
Purchase of units in City Tower Unit Trust to fund capital expenditure	496
Capital distribution from Store Unit Trust	(319)
Share of valuation loss	(2,357)
Amounts recognised as joint ventures at 31 March 2020	**77,985**

Notes to the Interim Report continued

6. Investment in joint ventures continued

For the period 1 April 2020 to 30 September 2020 (unaudited)

	£000
Opening balance as at 1 April 2020	77,985
Share of net rental income	1,276
Distributions received/receivable	(1,276)
Share of valuation loss	(394)
Amounts recognised as joint ventures at 30 September 2020	**77,591**

7. Trade and other receivables

	Six months to 30/09/2020 £000	Six months to 30/09/2019 £000	Year to 31/03/2020 £000
Rent receivable	**4,343**	2,609	2,365
Sundry debtors and prepayments	**14,192**	12,966	12,750
Receivable relating to disposals	**–**	33,785	–
	18,535	49,360	15,115

As a consequence of the outbreak of Covid-19, and the widespread government restrictions that followed thereafter, rent receivables increased over the year as tenants faced a more challenging environment. £5.38 million (gross) was owed by tenants as at period end and a net bad debt provision of £1.04 million was made with regard to expected credit losses.

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-paying histories; and the current trading situation of the tenants in light of changing government restrictions.

Sundry debtors and prepayments includes £9,379,000 (31 March 2020: £9,334,000; 30 September 2019: £9,737,000) in respect of lease incentives, which are spread over the term of the lease.

8. Cash and cash equivalents

As at 30 September 2020 the group had £78.7 million in cash (31 March 2020: £33.1 million; 30 September 2019: £23.3 million) of which £18.3 million is held within the Canada Life security pool (31 March 2020: £22.7 million; 30 September 2019: £23.3 million).

9. 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 in to two equal tranches of £64.793 million as follows:
- Facility A matures in October 2032 and attracts an interest rate of 2.35%; and
- Facility B matures in October 2039 and attracts an interest rate of 2.62%.

The Company also has in place a RCF with RBS. In January 2019 the RCF limit was increased from £32.5 million to £52.5 million. As at 30 September 2020 the facility was completely drawn (September 2019: £nil; March 2020: £nil).

The interest rate is based on the LTV ratio as set out below:
- LIBOR + 1.60% if the LTV is less than or equal to 60%; and
- LIBOR + 1.85% if the LTV is greater than 60%.

During both the current and prior periods, the LTV has remained less than 60%. Since this loan has variable interest, an interest rate cap for £32.5 million of the loan was entered into and this comes in to effect if GBP three month LIBOR reaches 1.5%. As at the reporting date GBP three month LIBOR has not reached 1.5%.

As at 30 September 2020 the Group has a loan balance of £182.1 million and £0.7 million of unamortised arrangement fees (31 March 2020: £129.6 million and £0.9 million of unamortised arrangement fees; September 2019: £129.6 million and £2.2 of unamortised arrangement fees).

Fair values are based on the present value of future cash flows discounted at a market rate of interest. Issue costs are amortised over the period of the borrowings. As at 30 September 2020 the fair value of the Group's £129.6 million loan with Canada Life was £131.7 million (31 March 2020: £131.1 million, 30 September 2019: £150.6 million). The RBS RCF can, by its nature, be drawn down and repaid at any time and on 17 November 2020 the full balance of £52.5 million will be repaid in full and without penalty. As such, as at 30 September 2020 the fair value of the Group's £52.5 million loan drawn was also deemed to be £52.5 million.

10. Trade and other payables

	Six months to 30/09/2020 £000	Six months to 30/09/2019 £000	Year to 31/03/2020 £000
Deferred income	**3,351**	3,998	3,885
Rental deposits	**1,245**	1,276	1,166
Interest payable	**915**	1,254	728
Other payables and accruals	**1,836**	2,007	865
	7,347	8,535	6,644

11. NAV per ordinary share and share buy back

On 8 September 2020 the Company announced that it was commencing a share buyback programme. From 8 September 2020 to 30 September 2020 the Company purchased a sum of 7,148,454 shares for a sum of £2.26 million and at an average price of 32 pence per share.

As a consequence of the buyback the number of ordinary shares in issue fell from 518,513,409 to 511,364,955 during the reporting period.

The NAV per ordinary share is based on the net assets of £296,774,000 (31 March 2020: £309,806,000; 30 September 2019: £354,251,000) and 511,364,955 ordinary shares in issue at the statement of financial position reporting date (31 March 2020: 518,513,409 and 30 September 2019: 518,513,409).

12. Financial risk factors

The Directors are of the opinion that there have been no significant changes to the financial risk profile of the Group since the end of the last annual financial reporting period ended 31 March 2020. The main risks arising from the Group's financial instruments and properties are market price risk, credit risk, liquidity risk and interest rate risk. The Group is only directly exposed to sterling and hence is not exposed to currency risks. The Board regularly reviews and agrees policies for managing each of these risks.

13. Related party transactions

Material agreements are disclosed in note 2. The Directors' remuneration for the period for services to the Group was £75,000 (31 March 2020: £150,000, 30 September 2019: £75,000) of which £13,000 was outstanding at period end (31 March 2020: £13,000, 30 September 2019: £25,000). Transactions with joint ventures are disclosed in note 6.

14. Capital commitments

At 30 September 2020 the Group had capital commitments for capital expenditure of £3.1 million (31 March 2020: £6.0 million; 30 September 2019: £9.9 million).

15. Post balance sheet events

Between the period of the 1 October to 16 October 2020 the Company purchased a further 8,059,318 shares pursuant to its buyback programme, to be held in treasury, for a sum of c.£2.6 million and at an average 32 pence per share.

On 16 November 2020 the units at 248a and 248b Commercial Road, Portsmouth simultaneously exchanged and completed to be sold for £2 million.

The Group has served notice to repay the full drawn balance of £52.5 million of the RBS RCF on 17 November 2020.

As announced in this Interim Report, the Company will recommence its open market share buyback programme with J.P. Morgan Securities plc from 17 November 2020.

Glossary

Alternative Performance Measure ('APM')	Alternative Performance Measure – please see page 29.
Annualised dividend yield	being the dividend paid during the period annualised and expressed as a percentage of the period end share price.
Articles	means the Company's articles of incorporation, as amended from time to time.
Companies Law	means The Companies (Guernsey) Law, 2008.
Company	is Schroder Real Estate Investment Trust Limited.
Directors	means the Directors of the Company as at the date of this document.
Disclosure Guidance and Transparency Rules	means the disclosure guidance and transparency rules contained within the FCA's Handbook of Rules and Guidance.
Earnings per share ('EPS')	is the profit after taxation divided by the weighted average number of shares in issue during the period. Diluted and Adjusted EPS are derived as set out under NAV.
Estimated rental value ('ERV')	is the Group's external valuers' reasonable opinion as to the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of a property.
EPRA	is the European Public Real Estate Association.
EPRA Earnings	is the earnings excluding all capital components not relevant to the underlying net income performance of the portfolio, such as the realised and unrealised fair value gains or losses on investment properties.
EPRA Earnings per share	is the EPRA earnings divided by the weighted average number of shares in issue during the period.
EPRA NAV	is the NAV calculated under IFRS adjusted to reflect the fair value of financial instruments, debt and deferred taxation.
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.
Market Abuse Regulation	means regulation (EU) No.596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse.
MSCI	(formerly Investment Property Databank or 'IPD') is a Company that produces an independent benchmark of property returns.
Net Asset Value or NAV	is shareholders' funds 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 (unaudited)

The Company uses the following Alternative Performance Measures ('APMs') in its annual report, financial statements and notes to the financial statements. The APMs are reconciled to the financial statements through the narrative below. 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 (note 3) to dividends paid (note 4) in the period. Earnings excludes capital items such as revaluation movements on investments and gains on disposal of investment properties.

Dividend Yield – The dividends paid, expressed as a percentage relative to its share price. Note that for half year periods this is annualised.

EPRA Earnings – the earnings excluding all capital components not relevant to the underlying net income performance of the portfolio, such as the realised and unrealised fair value gains or losses on investment properties. See note 3 for a reconciliation of this figure.

EPRA NAV – the NAV calculated under IFRS adjusted to reflect the fair value of financial instruments, debt and deferred taxation.

Gross LTV – the value of the external loans unadjusted for unamortised arrangement costs (note 9) 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 and are as per external valuations and have not been adjusted for IFRS lease incentive debtors 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 9) less cash held (note 8) 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 and are as per external valuations and have not been adjusted for IFRS lease incentive debtors or the fair value of the head lease at Luton.

Ongoing charges including Fund expenses – all operating 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. No capital costs, including capital expenditure or acquisition/disposal fees, are included as costs.

Ongoing charges including Fund and property expenses – all operating 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 as costs, as well as interest costs and any other costs considered to be non-recurring. In the current period the material non-recurring costs include non-cash bad debt expenses of £0.5 million.

Share Discount/Premium – the share price of an Investment Trust 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 19) expressed as a percentage.

NAV total return – the return to shareholders calculated on a per share basis by adding dividends paid (note 4) in the period on a time-weighted basis to the increase or decrease in the NAV per share (page 19).

Corporate Information

Registered Address
PO Box 255
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Les Banques
St Peter Port
Guernsey GY1 3QL

Directors
Lorraine Baldry (Chairman)
Stephen Bligh
Graham Basham
Alastair Hughes
(All Non-Executive Directors)

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

Secretary and Administrator
Northern Trust International Fund Administration Services (Guernsey) Limited
PO Box 255
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Les Banques
St Peter Port
Guernsey GY1 3QL

Depositary
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Solicitors to the Company
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ISA
The Company's shares are eligible for Individual Savings Accounts ('ISAs').

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Independent Auditor
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Notes

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