Schroders

Schroder UK Real Estate Fund

Annual Report and Consolidated Financial Statements

For the year ended 31 March 2019

For professional advisers and employee benefits consultants only.

About Us

The Schroder UK Real Estate Fund (SREF or the Fund), is an award-winning fund[1]. It provides investors with diversified exposure to £2.6 billion of UK commercial real estate and is managed by our highly experienced team.

Fund summary

SREF is an open ended investment company which is structured as a Property Authorised Investment Fund (PAIF). It is available to Eligible Investors as a Qualified Investor Scheme (QIS). The Fund is an Alternative Investment Fund for the purposes of the Alternative Investment Fund Managers Directive (AIFMD).

Since the Fund's conversion to a PAIF in 2012, the investor base has become increasingly diversified across institutional types and geographies. From 2015, the Fund has held an international marketing passport to 11 European countries: Belgium, Denmark, Finland, France, Germany, Ireland, Netherlands, Norway, Spain, Sweden and Switzerland. This supports interest and investment from international institutions and enhances Fund liquidity.

The Fund is available to a broad range of domestic and international professional investors seeking to benefit from Schroders' real estate expertise.

Contents

1 MSCI 2018 Property Investment Award for best performing unlisted pooled balanced fund, with capital of greater than £1.5 billion in the UK market.
Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested.

2 Collectively these comprise the Authorised Corporate Director's Report.

Highlights

SREF seeks to provide investors with a blend of income and capital growth through investment in UK real estate.

Its aim is to generate a total return 0.5% per annum (net of fees) above its benchmark[3] over rolling three-year periods.

SREF highlights as at 31 March 2019

One-year Fund total return

5.5%

Portfolio valued at

£2.6bn

One-year Fund outperformance relative to benchmark[3]

+0.7%

Number of assets in portfolio

63

Three-year Fund outperformance relative to benchmark[3]

+1.4% p.a.

Number of tenants

754

Average unexpired lease term

9.8 years

Gross distribution yield

3.0%

UK Property Investment Awards WINNER 2018

All data correct as at 31 March 2019.

3 MSCI/AREF UK Quarterly Property Fund Index – All Balanced Fund Index Weighted Average.

Highlights continued

Strong performance record

Strategic

Allocation to UK Winning Cities

(2018: 96%)

Weighted average unexpired lease term

(2018: 9.1 years)

Initial yield

(2018: 4.6%)

Contracted rental income growth

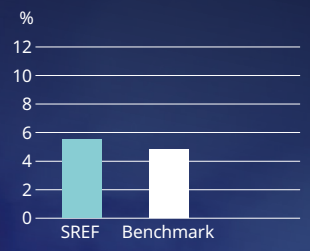
(2018: 7.5%)

Performance Fund total return

1 year

5.5%

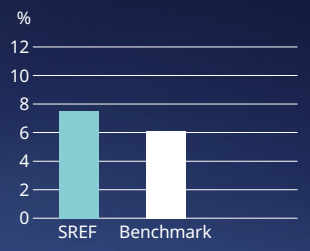
+0.7%[1]



3 years

7.5%

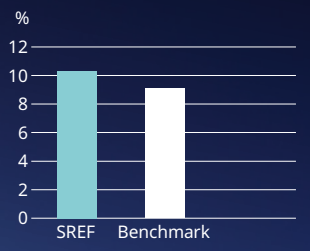
+1.4% p.a.[1]



5 years

10.3%

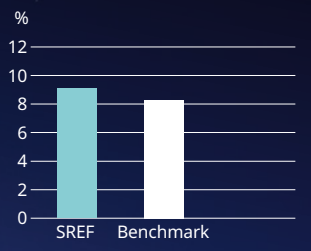
+1.2% p.a.[1]



10 years

9.1%

+0.8% p.a.[1]



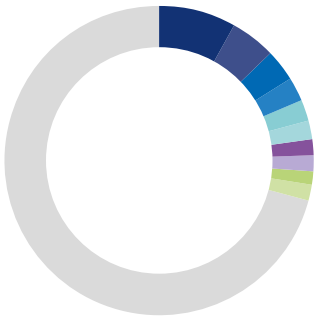
1 Relative performance.

Portfolio

Asset concentration (% NAV)

Building 1, Ruskin Square, Croydon (Office)	6.1%
Bracknell Town Centre (Retail and Office)	5.9%
King's Mall, Hammersmith, London W6 (Retail)	4.1%
One Lyric, Hammersmith, London W6 (Office)	4.0%
Acorn Industrial Estate, Crayford (Industrial)	3.7%
Matrix, Park Royal, London NW10 (Industrial)	3.5%
Electra Industrial Estate, London E16 (Industrial)	3.4%
City Tower, Manchester (Mixed use)	3.3%
Wenlock Works, London N1 (Office)	2.8%
Hartlebury Trading Estate, Worcs (Industrial)	2.8%
53 other holdings	60.4%

Tenant concentration (% contracted rent)



The Secretary of State	8.2%
The Office Group	4.7%
Tata Steel	3.3%
Lloyds TSB Bank	2.5%
Kaplan Estates	2.2%
Care UK	1.9%
Stay City	1.7%
Reading Forbury Square Centre	1.7%
B&Q Plc	1.5%
University of Law	1.5%
744 other tenants	70.8%

Portfolio Overview

Diversified high-quality UK real estate fund

SREF owns a diversified portfolio of commercial real estate across the UK. The Fund invests in the office, industrial and retail sectors and increasingly in other sectors where structural demand is distinct from wider economic cycles.

Sectors

Office

Wenlock Works, London N1

The Fund is overweight to offices compared with its MSCI benchmark. The focus is on buildings with good fundamentals in Winning Cities that attract a diverse occupier base. SREF has exposure to offices in emerging London sub-markets with improving infrastructure and sustainable rents, and in regional cities.

Industrial

Chiltern Park, Dunstable

SREF owns a number of large multi-let industrial estates around London which are positively impacted by structural trends and where there are significant asset management opportunities to capture rental growth. The Fund also owns two large industrial estates in the West Midlands.

Retail

The Lexicon, Bracknell Town Centre

The Fund continues to be underweight to the retail sector. The Fund's retail assets are split between well-managed convenience centres such as Kings Mall, Hammersmith, W6 and destinations such as Bracknell Town Centre. The rents in our retail assets are affordable and therefore attractive to retailers.

Other

Mermaid Quay, Cardiff

Other sectors include residential, hotels, self-storage, healthcare and leisure properties. SREF is overweight to this sector and has a portfolio of assets which often benefit from long leases and structural drivers of return which are independent of the wider economy.

Properties

63

Fund net asset value

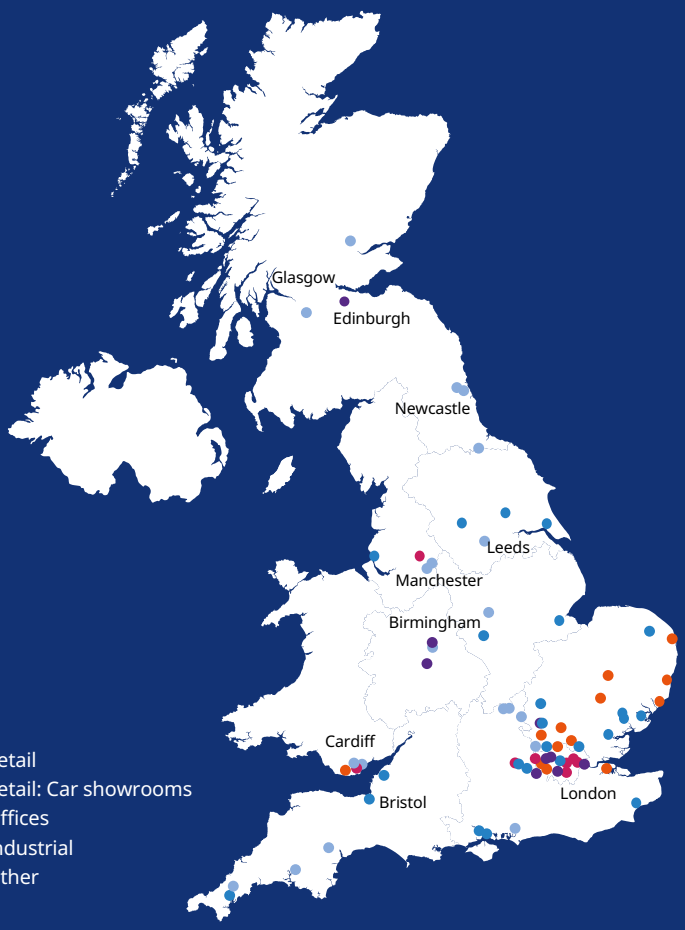
£2,595.6m

Fund gross asset value

£2,608.5m

Portfolio located in higher growth locations

96%



Sector weightings by value		Weighting %	
		SREF	Benchmark
Offices	Central London	9.1%	12.0%
	Rest of South East	26.5%	11.4%
	Rest of UK	4.7%	5.8%
Industrial	South East	17.2%	19.1%
	Rest of UK	4.6%	10.1%
Retail	Standard retail – South East	6.2%	7.0%
	Standard retail – Rest of UK	3.3%	3.6%
	Shopping centres	4.7%	2.5%
	Retail warehouses	6.9%	13.9%
Other	Other	12.0%	9.7%
	Cash	4.8%	5.1%

Fund Manager's Statement

Active asset management strategy drives outperformance

Since 1971 SREF has provided institutions with exposure to good quality UK commercial real estate which balances income, income growth and capital appreciation through the real estate cycle.

> **"The level of investor interest and engagement with us on ESG and impact investment has increased markedly over the past 12 months."**

SREF maintained its strong performance record in the year to 31 March 2019, outperforming its benchmark[1] by 0.7%. Over its three-year performance measurement period, the Fund exceeded its benchmark by 1.4% p.a.

This was primarily achieved through crystallising effective asset management, as noted on pages 14–19. We remain focused on delivering on the Fund's objective with a disciplined business-plan led approach.

Strategy

In the context of Brexit-related uncertainty, we continue to adopt a cautious strategy with an underweight to the retail sector relative to benchmark, a low weighting to core central London offices and a relatively long weighted unexpired lease profile. Our properties are let to a diverse range of tenants, including the UK government, which is the largest, and at affordable rents. This supports security of income if the economy is weak as well as the ability to increase rents if the UK experiences more buoyant growth.

SREF's portfolio is comprised of high-quality properties which are typically multi-let. This reduces our overall exposure to tenant-specific risk and also provides further asset management opportunities such as rent reviews, regearing leases and selected refurbishment and developments. Our business plan-led approach is at the heart of our investment process and sets out opportunities and risk mitigation, asset-by-asset, with the overall aim of meeting SREF's investment objectives. Once a property's business plan has been completed it will be considered for sale with the proceeds reinvested in the portfolio in line with strategy or used for other purposes (such as liquidity management).

Portfolio activity

No acquisitions were completed over the past 12 months. Disposal proceeds totalled £29.6 million from the sale of nine car showrooms and the Capital Point office building in Slough. These sales continue a programme of reducing exposure to smaller properties with relatively short unexpired lease terms and following the completion of our business plan. Capital Point was sold at a 10% premium to valuation and would have required significant capital expenditure to retain value coupled with letting risk.

During the past year £59.7 million of capital has been invested into the portfolio with the aim of generating above-market returns. We made good progress on a number of important initiatives which contributed to SREF's strong relative returns. New lettings totalling £9.2 million p.a. were agreed during the year, while rent reviews totalling £3.5 million p.a. were settled, an increase of 8.8% over the prior contracted rent. Over the year as a whole the Fund's contracted rental income growth was well ahead of its MSCI benchmark.

Asset management highlights during the year include:

- A pre-let was agreed with The Office Group for a 20-year term at the 100,000 sq ft One Lyric, Hammersmith, W6 office building prior to the completion of its refurbishment in September 2018.
- The refurbishment of Department W, Mile End Road, E1, which offers 51,600 sq ft of offices, was completed in January 2019. Strong interest has been received from a range of occupiers.
- At Croydon, a second building has been designed and negotiations are progressing. AMP House is now fully let with office rents now at £29 psf. Nando's completed a lease on the retail parade at ground level.
- At Wenlock Works, London N1, the 128,000 sq ft redevelopment remains on budget to complete in Q4 2019. Good progress is being made on pre-letting activity.
- A 15 year lease was agreed with McLaren Group at Woking Business Park on a 51,800 sq ft unit. This is McLaren's fourth unit at the Park.
- Strong leasing activity at our two large retail schemes, in Hammersmith and Bracknell. The occupancy level at The Lexicon, Bracknell is now 97%, with important lettings such as TK Maxx and Matalan completed during the year. Major improvements at Kings Mall, Hammersmith, W6 have been the catalyst to increasing contracted rent by £700,000. We expect further letting activity at both schemes this year. The key to this success has been the affordability of space compared with neighbouring centres, which underpins retailer profitability.

These examples illustrate the execution of our business planning process which we believe will continue to drive SREF's performance relative to benchmark. These and other case studies can be found on pages 14–19.

Sustainability and impact investment

The level of investor interest and engagement with us on ESG (Environment, Social and Governance) and impact investment matters has increased markedly over the past 12 months. Investors no longer regard this as being a specific benefit to a manager's investment process, but an essential component. Responsible investment is integral to how Schroder Real Estate manages its investments and is embedded into the lifecycle of each asset. We believe that by understanding and managing the impact of these 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. Please refer to our governance section on page 24 for more information.

Liquidity management

At 31 March 2019 SREF received redemption requests which were settled in full on the due redemption date in early July 2019. SREF has a range of liquidity management options available to meet redemptions including a historically active secondary market, uncommitted cash, the proceeds of property sales and investor subscriptions.

Outlook

While market conditions undoubtedly remain challenging, as noted in our market commentary on page 12, we believe that the quality of SREF's portfolio, its embedded investment opportunities and our focused investment process means that the Fund is well placed to continue to outperform its benchmark in the period ahead.

Jessica Berney
SREF Fund Manager

July 2019

1 MSCI/AREF UK Quarterly Property Fund Index – All Balanced Fund Index Weighted Average.

Portfolio Performance

Performance analysis

Performance attribution over the past year
Income
SREF has a high-quality portfolio and is undertaking selected refurbishments. This accounts for a lower initial yield than the benchmark. Despite this, the Fund has outperformed due to effective asset management. Additionally, refurbishments have allowed us to grow income through letting newly created space. Around 11% of the rent roll is subject to indexed or fixed uplifts.

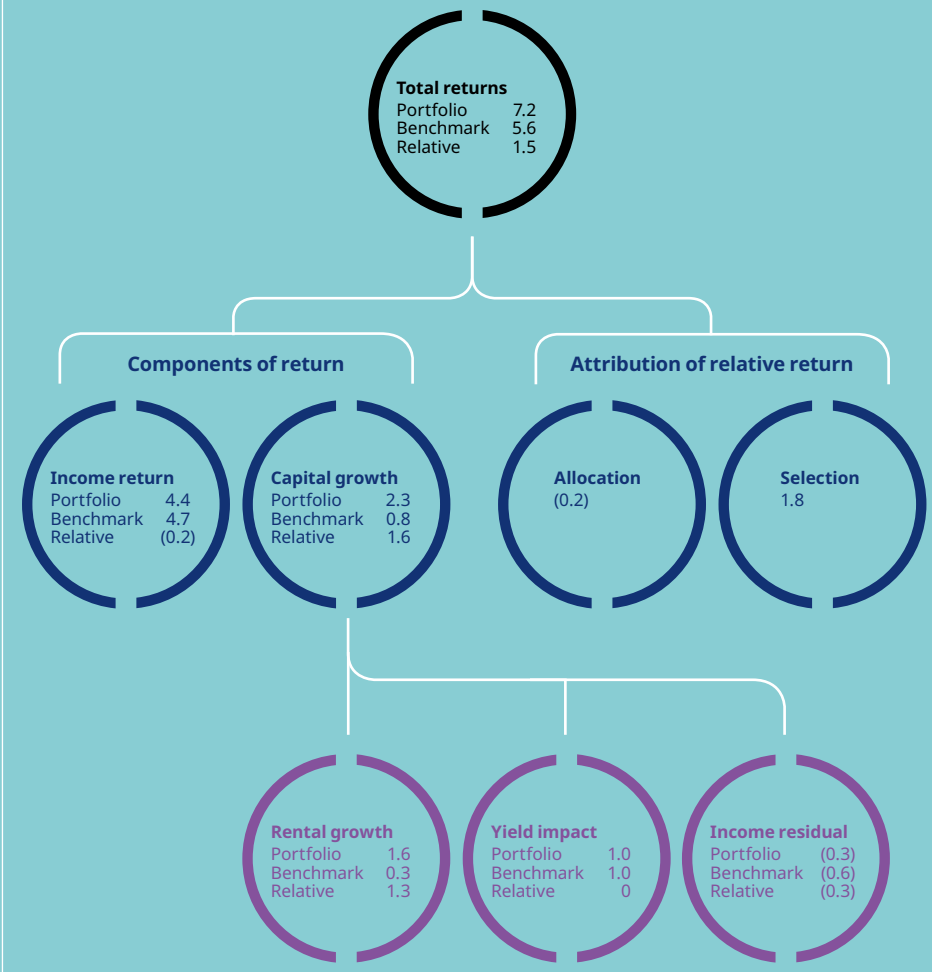
Rental growth
SREF generated higher rental growth than its benchmark over the past 12 months. Rents across the portfolio are generally low and therefore affordable for tenants. Our preference for multi-let properties allows us to capture rental growth at lease expiry or at rent review. An example of this was a lease regear in Q1 2019 at Electra Industrial Estate, London E16, where an 80% uplift on the previous passing rent was achieved. Contracted rental income grew by 8.8% over the period.

Yield impact
The portfolio has matched the benchmark's yield impact. SREF's active management approach has enabled the Fund to capture yield improvements as capital projects are completed, such as at One Lyric in Hammersmith, W6, Crayford Industrial Park in Dartford and Kings Mall in Hammersmith, W6.

Income residual
Income residual is the change in capital value that is not attributable to either rental growth or yield impact. This may be due to factors such as unanticipated changes in income unanticipated changes in income (from new lettings or vacancies), abnormal lease terms or over-renting that may distort the impact of changes in market rental values.

Sources of relative return, 12 months to March 2019 (%)

The principal drivers and detractors of performance have been independently calculated by MSCI. Please note that the portfolio performance data below are property level returns. This is calculated gross of fees and differs from SREF's fund level return which is net of all costs.



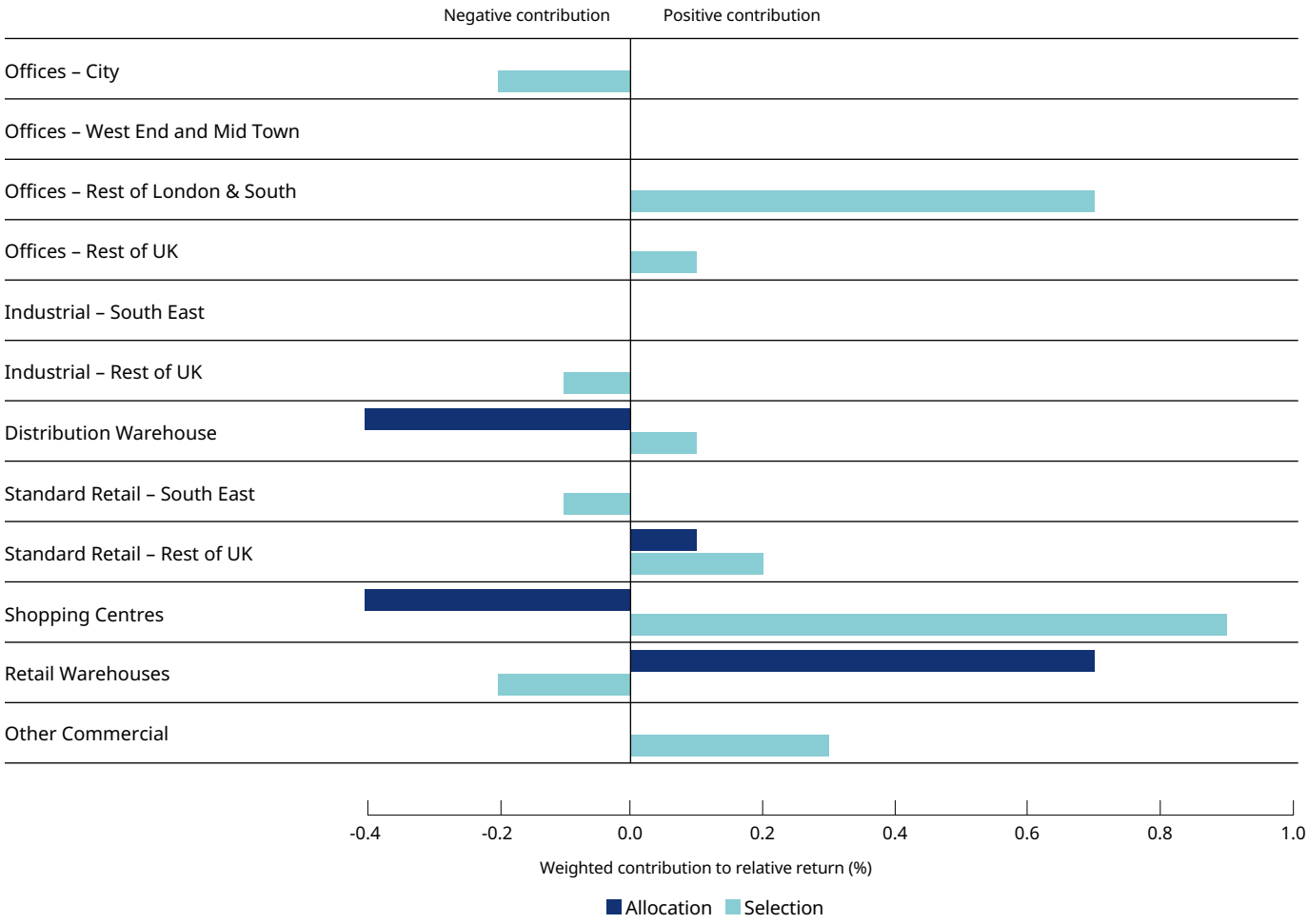
Total return for the portfolio and benchmark is calculated as the change in capital value, less any capital expenditure incurred, plus net income, expressed as a percentage of capital employed over the period concerned. Performance is calculated gross of fund fees. Multi-period capital growth and income return may not sum perfectly to total return due to the cross product that occurs when capital and income returns are combined within compounded total returns.

Portfolio-level total return % relative to benchmark

	SREF portfolio total return p.a. (%)			MSCI Index total return p.a. (%)			Relative p.a. (%)		
	12 months	3 years	5 years	12 months	3 years	5 years	12 months	3 years	5 years
Retail	(1.6)	4.4	5.6	(3.3)	1.9	5.0	1.8	2.4	0.6
Office	7.1	8.3	12.9	5.8	5.5	10.7	1.2	2.7	2.0
Industrial	15.8	15.7	18.1	15.2	15.3	16.6	0.5	0.4	1.3
Other	9.9	11.4	12.8	6.8	9.8	10.7	2.9	1.4	1.9
All property	**7.2**	**9.3**	**12.1**	**5.6**	**7.2**	**10.1**	**1.5**	**2.0**	**1.8**

Note: According to MSCI methodology, the relative return is calculated as the ratio of total return achieved by the portfolio against its benchmark. This is not calculated as the difference between the two data points.

Attribution by allocation[1] and selection[2]: One year to 31 March 2019



1 Allocation represents the contribution from sector positioning.
2 Selection represents the contribution from stock selection and asset management.

Investment Approach

A disciplined investment approach

We recognise that long-term returns from commercial real estate are driven principally by good quality income and income growth. Our investment approach combines three principal factors:

(1) Fundamental research to identify those regions, sectors and investment themes which are expected to generate attractive returns;
(2) A detailed business plan-led approach which aims to unlock value from each portfolio asset; and
(3) The integration of a sustainable investment approach which is beneficial to our tenants, local communities and thereby portfolio performance.

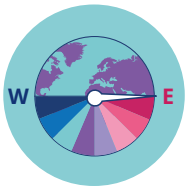
Mega themes

1. Rapid urbanisation

2. Demographics

3. Technology

4. Resources and infrastructure



5. Shift West to East

6. Impact Investment

Research

There are six 'mega themes', or structural changes that we believe will drive real estate markets over the long term and are independent of the short-term economic cycle. They are: rapid urbanisation; demographics; technological change; resources and infrastructure; the 'Shift from West to East' with changes in social and economic activity; and an emerging sixth mega theme, impact investment, that will form an important part of future investment strategies.

We also have conviction that within the UK there are 'Winning Cities' which will see above-average economic growth over the long term and should, therefore, generate higher real estate returns. Our current Winning Cities include Bristol, London and Manchester. These places have a number of enduring characteristics: good universities; a skilled labour force; a diverse economy; good infrastructure; a proactive local government; and a range of cultural attractions. A number of London sub-markets also have these characteristics.

Our sector views are also reflected into the portfolio structure via, for example, a long term structural underweight to retail and an overweight to alternative sectors. Retail is being adversely affected by technology and changing consumer preferences, while alternatives often benefit from demographic change.

See page 14

Business plan-led approach

Our starting point is our annual fund strategy statement which defines our activities over the coming three to five years and identifies key objectives at both fund and asset level. Our aim is to deliver incremental outperformance year-on-year.

We aim to generate the majority of the target outperformance through good stock selection and active asset management. We also aim to add value through sector and real estate style allocations, although we recognise the impact of these may vary over time. Each asset is managed in accordance with its individual business plan. The business plan is the focal point for identifying and implementing the active management strategies that will maximise returns.

See page 16

Sustainable investment

Schroder Real Estate is committed to acting in a responsible way for the good of clients, employees and the wider community in order to secure a long-term sustainable future. We believe that a sustainable investment programme should deliver enhanced returns to investors, improved business performance to tenants and tangible benefits to local communities and wider society.

ESG and sustainability are embedded within our investment process and applies to all aspects of real estate investment, including acquisition due diligence, asset management, property management provided by third parties, refurbishments and developments. Schroder Real Estate has developed its 'Sustainable: Real Estate with Impact' investment programme. This programme links our key impact pillars to the UN Sustainable Development Goals. We use these pillars to consider impacts for funds and assets.

See page 18

Market Overview

The investment market since late 2018 has been relatively quiet. To a large extent this can be explained by investors taking a wait-and-see approach to Brexit and by the structural challenges facing the retail sector.

Assuming an orderly Brexit process, we forecast all property total returns will be slightly negative in 2019. However, the average will mask a huge variation across different types of real estate; from values falling in secondary shopping centres, while holding firm in industrial and regional offices. Our main focus for diversified portfolios is offices in Winning Cities and London sub-markets, industrial/logistics serving large population centres, and certain niche strategies which ought to be less correlated with the main commercial markets.

Office

The Fund is well positioned to benefit from increasing demand for office space in London sub-markets.

One Lyric, Hammersmith, London W6

Occupier demand was close to trend in the regional office market in the first quarter of 2019.

Regardless of Brexit, we expect that 'Winning Cities' such as London, Bristol and Manchester will remain resilient parts of the market. With relatively low levels of new building in recent years, and space lost to redevelopment, there is little risk of oversupply.

In contrast, occupier demand in Central London was relatively weak and there are downside risks. These risks include: the potential loss of London-based financial services to the EU single market, structural change from the recent rapid growth in serviced offices, and the possible upturn in development in the City leading to an increase in empty second-hand space as occupiers move from old to new offices.

Industrial

Good quality, multi-let industrial estates have generated strong total returns in the past 12 months.

Woking Business Park, Woking

Industrial demand was subdued at the beginning of 2019.

While manufacturers and retailers built stocks ahead of Brexit, they typically crammed more goods into their existing warehouses, rather than committing to additional space. Regardless of Brexit though, we do expect that one of the most resilient sectors will be multi-let industrial estates. The sector is also gaining from the growth in online retail sales and last mile logistics. Parcel volumes grew by 6% p.a. in 2018 according to the Royal Mail. Moreover, with low levels of new building in recent years and space lost to redevelopment, there is little risk of oversupply. As a result, rents in the industrial sector should be stable.

Retail

SREF is underweight to retail, with a focus on destination, experience and convenience assets.

H&M's new concept store, Kings Mall, Hammersmith, London W6

Retail rents are likely to continue to fall as online sales continue to grow at the expense of physical stores.

Demand for retail space remains weak particularly in secondary town centres and out-of-town. For example, almost half of BHS stores remain empty three years after the retailer failed and 14% of shopping centre units are vacant, up from 12% in 2017. However, vacancy only tells part of the story. Another less visible sign of weakness is the growing number of retailers who have secured rent cuts, either at lease renewal, or as part of an administration process called a company voluntary arrangement (CVA). Whilst some CVAs have involved rent cuts of 50% this may not be enough to restore the profitability of certain retailers, given that rents usually only account for 15% of their costs. CVAs may therefore only provide a short reprieve. We think the most defensive types will be those which are relatively internet immune, such as destination, experience and convenience stores and retail warehouses with affordable rents where we have a viable business plan.

While the quality of SREF's retail portfolio has provided some insulation, SREF has not been immune to retailer distress. The income lost as a result of company voluntary arrangements (CVAs) and administrations during the past year amounted to 1.3% of the Fund's contracted rental income. Homebase, which occupies one unit in Norwich, had the largest impact. Our asset managers are in the process of implementing plans to reconfigure and relet the unit to good quality retailers.

Other

The Fund benefits from the attractive return profile and diversification of alternative asset sectors.

West India Quay, London E14

We favour certain niche sectors which should be more defensive, particularly where demand is less tied to the economy and where there is a shortage of modern, good quality accommodation.

In addition to the three main commercial sectors, there are a number of other niche sub-sectors which should provide diversification underpinned by structural trends or demographic change. The self-storage market is starting to mature, as consumer awareness grows and investor understanding of the sector improves. We also see potential in concepts such as serviced apartments and retirement communities and there is buoyant demand for data centres, driven by the rapid growth in cloud computing. Leases in alternative sectors are often relatively long and may benefit from fixed or inflation-linked uplifts.

Strategy in Action

Research integration

Targeting growing sub-markets

CGI of Wenlock Works following completion

Dept. W, Mile End Road, London E1

- Dept. W is a former department store in East London. The sub-market is one of the fastest growing areas of London, with strong demand from the digital and creative sectors.
- The £12 million redevelopment retained the historic features of the former neo-classical building and following completion in the first quarter of 2019, the building was nominated for the 2019 RIBA (Royal Institute of British Architects) London award.
- The thoughtfully designed office space is expected to generate approximately £2.5 million additional income p.a. for the Fund once fully let. Including retail, the building's ERV is £3 million. Strong interest has been received from a range of occupiers.

NAV **1.9%**

ERV p.a. **£3m**

Wenlock Works, London N1

- Wenlock Works is a 128,500 sq ft, Grade A office building, which was acquired in 2012 from a distressed seller for £18.5 million.
- A £45 million refurbishment and extension is underway and due for completion in Q4 2019. We anticipate a BREEAM rating of 'Excellent' under the 2014 Refurbishment and Fit-out Scheme as well as Fitwel and Wired Score credentials.
- Looking ahead further into 2019, the targeted profit on cost is forecast to be in excess of 20%. The £7.4 million ERV is expected to increase SREF's distribution yield by 0.3%.
- Strong interest has been received from a number of tech firms, in line with the research-led occupational demand anticipated.

NAV **2.8%**

ERV p.a. **£7.4m**

The Fund's assets are well-located around key transport hubs. SREF has a low exposure to financial services tenants in the City of London, and a growing exposure to occupiers in the digital and creative sectors.

> **Increasing demand in London sub-markets driven by structural and demographic change.**

Asset locations

(1) Ruskin Square, Croydon
(2) King's Mall, Hammersmith, London W6
(3) One Lyric, Hammersmith, London W6
(4) Battersea Studios, London SW6
(5) Wenlock Works, Shepherdess Walk, London N1
(6) Chenies St, London WC1
(7) Palace House, London SE1
(8) Dept W, Mile End Road, London E1
(9) 4–7 Chiswell St, London EC1
(10) StayCity, Hayes, London
(11) 14 Store St, Fitzrovia, London W1
(12) West India Quay, London E14
(13) Jubilee House, London E15
(14) Glenthorne Rd Car Park, Hammersmith, London W6
(15) 11–12 Appold St, London EC2
(16) 53 Parker St, London WC2
(17) Kensington Village, London W14

Strategy in Action

Disciplined asset management

Business plan-led approach

Kings Mall, London W6

- Kings Mall was an under-managed retail mall. It was purchased in 2015 and is in the centre of Hammersmith, a thriving London sub-market.
- The mixed-use 5.5-acre site needed extensive refurbishment and asset management to improve customer footfall and occupancy rates.
- Following modernisation of the scheme, the convenience-led retail mall has seen contracted rent increase by 18% since purchase, on the back of 16 new lettings and a comprehensive refurbishment of the internal mall.
- Despite the headwinds within the retail sector, the diverse tenant base, location and low rents should provide a defensive income stream and a platform for growth.

NAV **4.1%**

Contracted rent p.a. **£4.3m**

Woking Business Park, Woking

- Woking Business Park is a 246,000 sq ft, best-in-class industrial park located in the prominent South East.
- The fundamental undersupply of quality, fit-for-purpose industrials in the area underpinned strong tenant demand.
- In the past year the growing demand drove occupancy levels to 96%[1]. When combined with disciplined asset management, contracted rent increased 41% to £2.4 million during the past 12 months.
- Looking forward, affordable rental terms should continue to provide excellent security and growth potential for the Fund.

1 ERV at 31 March 2019.

NAV **1.9%**

Contracted rent p.a. **£2.4m**

Ruskin Square, Croydon

- Ruskin Square is a 9-acre mixed-use site adjacent to East Croydon station with excellent transport links.
- The strategy at Ruskin Square is to develop mixed-use space that generates long-term and secure income.
- Planning consent on 2 million sq ft of office, residential and restaurants was obtained.
- The first office building was delivered in 2016 on time and in budget, with a 25-year lease to HMRC. The first residential block of 162 units has now been sold.
- A second building has been designed, and pre-let discussions are ongoing. This has the potential to generate significant additional income from a site which is currently non-income producing.

NAV **6.1%**

Contracted rent p.a. **£6.3m**

Woking Business Park, Woking

"Identifying and implementing active management strategies to maximise returns."

Strategy in Action

Investing with Impact

A sustainable approach

Battersea Studios, London SW8

- Battersea Studios comprises two office buildings totalling 126,000 sq ft, located in the desirable district of Battersea in South West London.
- Understanding the needs and expectations of existing and prospective tenants is essential and a comprehensive 'wellness gap analysis' was completed for the building and management operations against the Fitwel standard.
- Improvements were implemented and the Fitwel certification completed in March 2019 with Building 1 awarded a 1 Star rating. The award of 'Fitwel for workplace multi-tenant whole building' was the first such certification in Europe.
- We continue to develop our understanding of how health and wellbeing aspects contribute to improved tenant experience to further improve the building.

fitwel

NAV

2.5%

Contracted rent p.a.

£3.4m

Bracknell Town Centre

- Bracknell Town Centre is a newly developed town centre in an affluent South East location, anchored by a 580,000 sq ft retail and leisure scheme called The Lexicon.
- The Bracknell Regeneration Partnership with the local council has created positive impact through the creation of 3,500 new job opportunities for the community.
- One of the largest green walls in Europe was installed at The Lexicon, and following completion the development won two Revo Gold Awards:
  - Re:new Gold project positively impacted surrounding environment
  - Voted 'Best of the Best' across all award categories
- More recently, the Bracknell Regeneration Partnership has been extended for the Princess Square Shopping Centre refurbishment, The Deck leisure scheme, which primarily aims to enrich the food and beverage amenities in the local area.
- Several initiatives have been implemented over the past year, including:
  - The installation of three electric vehicle charging points on site with more installations planned in the future.
  - Promotion of an 'Access to All' town-wide policy within the community support groups for the disadvantaged and disabled.
  - Developing links with Bracknell & Woking College and the Bracknell Forest Economic Development team to facilitate retail training initiatives and jobs fairs.

NAV

5.9%

Contracted rent p.a.

£6.1m

> **Real estate investing with impact to enhance long-term returns.**

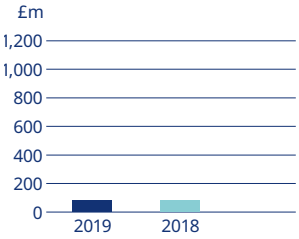
Battersea Studios, London SW8

Portfolio Statement

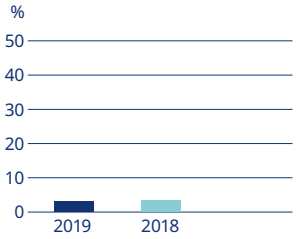
Direct properties total market value up to £10m

Asterbury Place, Ipswich

Market value at 31 March



Net asset value

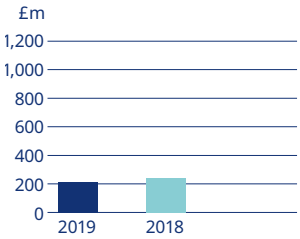


	Sector
Crayford – Crayford Industrial Park	Industrial
Croydon – Ruskin Square	Residential
Framlingham – Mills Meadow	Other – Care Homes
Haverhill – Chalkstone	Other – Care Homes
Ipswich – Asterbury Place	Other – Care Homes
Livingston – Limefields, second land site	Industrial
London UB6 – Greenford, land site	Industrial
Loughton – 195–200 High Road	Standard Retail
Lowestoft – Roman Hill	Other – Care Homes
Mildenhall – Great Heath	Other – Care Homes
Shipley – 20–40 Market Square	Standard Retail
Southsea – 2–42 Palmerston Road	Standard Retail

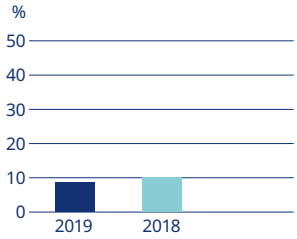
Direct properties total market value from £10m to £25m

202–226 High Road, Loughton

Market value at 31 March



Net asset value

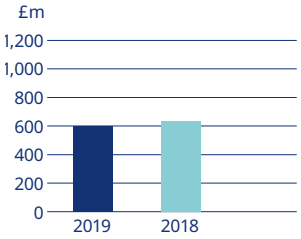


	Sector
Bracknell – Bracknell Beeches	Offices
Bristol – Maggs House	Standard Retail
Chatham – Maritime	Other – Leisure
Chelmsford – Meadows Retail Park	Retail Warehouse
Colchester – Turner Rise	Retail Warehouse
Croydon – Car Park	Other – Car Park
Croydon – Sites 2–4 (Residential), Ruskin Square	Residential
Dunstable – Chiltern Park	Industrial
London EC2 – 11/12 Appold Street	Offices
London WC2 – 53 Parker Street	Offices
Loughton – 202–226 High Road	Standard Retail
Spalding – Retail Parks	Retail Warehouse

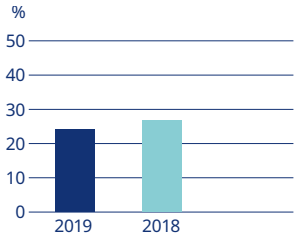
Direct properties total market value from £25m to £50m

The Self Storage Company

Market value at 31 March



Net asset value

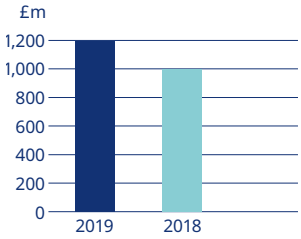


	Sector
Cardiff – St William House	Offices
Colchester – Hythe Riverside Park	Retail Warehouse
Croydon – AMP House	Offices
Croydon – Sites 2–5 (Commercial), Ruskin Square	Offices
Dunstable – Arenson Centre	Industrial
Glenthorne Road, W6 – Car Park	Other – Car Park
Hackbridge – Felnex Trading Estate	Industrial
London E1 – Dept. W, Mile End Road	Offices
London E15 – Jubilee House	Offices
London EC1 – 4–7 Chiswell Street	Offices
London UB6 – Greenford	Industrial
Norwich – Hall Road Retail Park	Retail Warehouse
Self-Storage portfolio	Other – Self-Storage
StayCity – Serviced Apartments	Other – Hotel
Truro – Lemon Quay	Standard Retail
Wolverhampton – Steel Park	Industrial

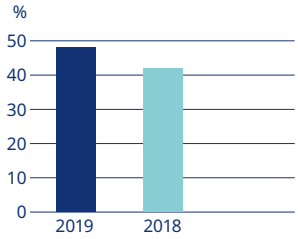
Direct properties total market value greater than £50m

Acorn Trade and Industrial Park, Crayford

Market value at 31 March



Net asset value



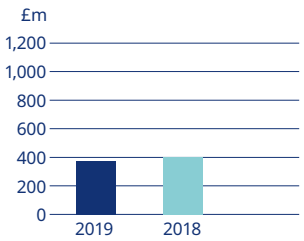
	Sector
Cardiff – Mermaid Quay	Other – Leisure
Crayford – Acorn Industrial Estate	Industrial
Croydon – Building 1, Ruskin Square	Offices
Hartlebury Trading Estate	Industrial
London E16 – Electra, Canning Town	Industrial
London N1 – Wenlock Works (Shepherdess Walk)	Offices
London NW10 – Matrix, Park Royal	Industrial
London SE1 – Palace House	Offices
London SW8 – Battersea Studios	Offices
London W1 – Chenies Street	Offices
London W14 – Kensington Village	Offices
London W6 – Kings Mall[1]	Shopping Centre
London W6 – One Lyric[1]	Offices
Reading – Davidson House	Offices
Woking – Woking Business Park	Industrial

1 Gross asset value, excluding inter-company loans.

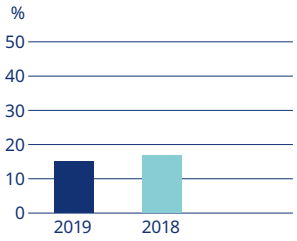
Portfolio Statement continued

Joint ventures

Market value at 31 March



Net asset value



	Sector
City Tower Unit Trust, Manchester	Mixed use
Bracknell Town Centre	Retail and Office
London E14 – West India Quay	Other – Leisure
Motor Retail LP	Standard Retail
Gilbran Property Unit Trust	Standard Retail
Store Unit Trust	Offices
York – Monks Cross	Retail Warehouse

Collective investment schemes

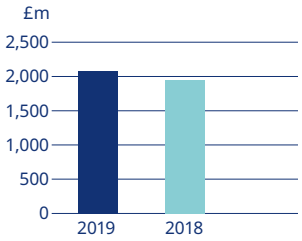
	Sector
City of London Office Unit Trust (CLOUT)	Offices
Nuveen Real Estate UK Retail Warehouse Fund	Retail Warehouse

Percentage of contracted rent expiring

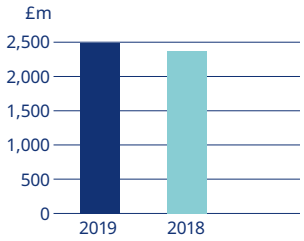
	SREF	Benchmark
Up to 5 years	42.2	42.3
5–10 years	25.3	35.1
10–15 years	8.5	10.8
15–20 years	8.9	5.6
Over 20 years	15.1	6.3

Summary

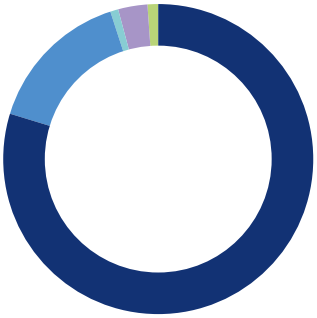
Total direct properties



Portfolio of investments



SREF net assets at 31 March 2019



Wholly owned properties	80.4%
Joint ventures	15.4%
Collective investment schemes	0.5%
On balance sheet cash	3.0%
Other assets and liabilities	0.7%

Purchases and Sales

Purchases

Quarter	Property	Sector	Ownership	Price in £
No purchases were made in the past 12 months.				

Sales

Quarter	Property	Sector	Ownership	Price in £
Q1 2019	Portsmouth Honda (MORI II)	Standard retail (motor showroom)	50%	1.7 million
Q1 2019	Market Inn Land and CNT Land (Bracknell)	Standard retail	50%	1.2 million
Q1 2019	Truro Mercedes-Benz (MORI II)	Standard retail (motor showroom)	50%	1.6 million
Q1 2019	Plymouth Mercedes-Benz (MORI II)	Standard retail (motor showroom)	50%	1.9 million
Q1 2019	Taunton Mercedes-Benz (MORI II)	Standard retail (motor showroom)	50%	2.0 million
Q1 2019	Exeter Mercedes-Benz (MORI II)	Standard retail (motor showroom)	50%	3.7 million
Q4 2018	Swinemoor Lane, Beverley	Standard retail (motor showroom)	50%	0.8 million
Q4 2018	Citroën Leicester	Standard retail (motor showroom)	50%	1.5 million
Q3 2018	Liverpool Fiat	Standard retail (motor showroom)	50%	1.1 million
Q3 2018	Capital Point, Slough	Offices	100%	13.0 million
Q2 2018	Ashford Honda	Standard retail (motor showroom)	50%	1.1 million

Sales post financial year end

Q2 2019	Palace House, London SE1	Offices	100%	47.4 million
Q2 2019	11/12 Appold Street, London EC2	Offices	100%	22.2 million
Q2 2019	Six car showrooms	Standard retail	50%	10.8 million

Sustainability and Impact Investment

At the heart of our investment philosophy

We believe that a successful sustainable investment programme should deliver enhanced returns to investors, improved business performance to tenants and tangible positive impacts to local communities and wider society.

The importance of environmental and social changes are investment factors that Schroders must understand to protect our clients' assets from depreciation and optimise the portfolio's value potential.

Offering occupiers resource-efficient and flexible space is critical to ensure our investments are fit for purpose and sustain their value over the long term. As a landlord, we have the opportunity to help reduce running costs for our occupiers, increase employee productivity and wellbeing, and contribute to the prosperity of a location through building design and public realm. If we ignored such issues when considering asset management and investments, we would risk the erosion of income and value as well as missing opportunities to enhance investment returns.

Through its construction, use and demolition, the built environment accounts for more than one-third of global energy use and is the single largest source of greenhouse gas emissions in many countries.

The industry's potential to cost-efficiently reduce emissions and the consumption of depleting resources, combined with the political imperative to tackle issues such as climate change, means the property sector will remain a prime target for policy action. This continues to present new challenges and opportunities for the real estate industry with profound implications for both owners and occupiers.

We are evolving our investment philosophy to incorporate 'positive impact' investing; this aims to proactively take action to improve social and environmental outcomes. We have mapped key impacts to the UN Sustainable Development Goals and use these to focus sustainability programmes for funds and assets. We will report on progress with this new impact programme in next year's Annual Report.

Battersea Studios, Battersea, London SW8

> **Environmental and social issues are simply investment risks that Schroders must understand to protect our clients' assets.**

A good investment strategy must incorporate environmental, social and governance factors alongside traditional economic considerations. At Schroders we believe a complete approach should be rewarded by improved investment decisions and performance.

Further information on Schroder Real Estate's Sustainable Investment approach and its 2019 Sustainability Policy can be found at https://www.schroders.com/en/uk/realestate/products--services/sustainability/

Environmental Management System

Schroder Real Estate, led by our Head of Sustainability and Impact Investment, and supported by sustainability and energy management consultancy Evora Global, operates an Environmental Management System (EMS) which is aligned with the internationally recognised standard ISO 14001. The EMS provides the framework for how sustainability principles (environmental and social) are managed throughout all stages of our real estate investment process, including acquisition due diligence, asset management, property management provided by third parties, refurbishments and developments, through to disposal.

Schroders sets a Sustainability Policy annually, approved by the Investment Committee, which confirms the commitments and targets for the year. Key aspects of the Policy, performance against 2018's objectives and targets, as well as objectives and targets for the year ahead, are set out below.

Property manager sustainability requirements

Property managers play an integral role in supporting the sustainability programme. Schroder Real Estate has established a set of Sustainability Requirements for property managers to adhere to in the course of delivering their property management services. This includes a set of key performance indicators to help improve the property managers' sustainability-related services to the Fund and which are assessed on a six-monthly and annual basis at December and June respectively. Schroder Real Estate is pleased to report that Knight Frank and Jones Lang LaSalle, principal property managers to the Fund, have performed well and in line with targets set for 2018.

Objectives and targets

Energy and greenhouse gas emissions

Active management of energy consumption and greenhouse gas emissions is a key component of responsible asset and building management. Improving energy efficiency and reducing energy consumption will benefit tenants' occupational costs and may support tenant retention and attraction, in addition to mitigating environmental impacts and helping to future-proof the portfolio against future legislation. Therefore, where SREF as landlord retains operational control responsibilities, energy usage and efficiency is monitored on a quarterly basis.

In the first quarter of 2016 Schroder Real Estate introduced an energy reduction target of 6% across all UK-managed assets over a two-year period to March 2018 from a baseline of 2015/16. The programme period concluded in March 2018, achieving an 8.1% reduction, which equates to a 3.8 million kWh saving, 930 tonnes CO_2-equivalent avoided and a cost saving of over £300,000. The target related to the like-for-like portfolio only (i.e. excluding assets purchased, sold or under refurbishment during the two years reported) and energy consumption data was adjusted for the impacts of weather and occupancy using recognised techniques. The SREF assets contributed over 40% of Schroder Real Estate's UK portfolio energy consumption for this programme and contributed c.63% of the savings achieved.

Schroder Real Estate continues to focus on energy and greenhouse gas emissions performance and the target has been extended to achieve an 18% reduction in landlord-controlled energy consumption by 2020/21 (2015/16 baseline). This is accompanied by a target of 32% reduction in landlord-controlled greenhouse gas emissions by 2020/21 (2015/16 baseline); this target is inclusive of decarbonisation of the UK electricity grid over recent years.

In support of achieving these targets and improving the efficiency of the portfolio, Schroder Real Estate has continued to work with sustainability consultants Evora Global and the property managers to identify and deliver energy and greenhouse gas emissions reductions on a cost-effective basis. The programme involves reviewing all managed assets within SREF and identifying and implementing improvement initiatives, where viable.

Sustainability and Impact Investment continued

> **Schroder Real Estate seeks active engagement to ensure a good occupational experience to help retain and contract tenants.**

Schroder Real Estate can report for the 12 months to 31 March 2019 for the managed assets held within SREF an energy reduction for landlord procured energy of 4% on a like-for-like basis.

For detailed energy performance data covering the reporting period and the prior year, please see the Environmental Data Report on page 52.

Energy Performance Certificates (EPCs) for the portfolio are regularly reviewed in light of the 2015 Minimum Energy Efficiency Standards (England and Wales) legislation. Schroder Real Estate is actively managing the potential risk of this legislation to the portfolio. This legislation brings in a minimum EPC standard of 'E' for new leases and renewals for non-domestic buildings from 1 April 2018; this minimum standard applies to all leases from 1 April 2023.

The EPC profile for the portfolio is set out within the Environmental Data Report on page 59.

Water
Fresh water is a finite resource of increasing importance for the environment and society and reductions in consumption can deliver operational cost efficiencies. Schroder Real Estate monitors water consumption where the landlord has supply responsibilities and encourages active management of asset-level consumption. Where there are such responsibilities for SREF, a 1% reduction in like-for-like water consumption is reported for the 12 months to 31 March 2019 compared to the 12 months prior.

Waste
Effective waste management decreases pollution and resource consumption, as well as improving operational efficiency and associated costs. To this end, waste should be minimised and disposal should be as sustainable as possible. Schroder Real Estate therefore has set an objective to send zero waste to landfill and to achieve optimal recycling. During the year we can report for SREF that 100% of waste was diverted from landfill (managed portfolio only).

Health, wellbeing and productivity
The real estate industry is gaining a new perspective on the importance of the built environment on human health, wellbeing and productivity. A number of schemes have emerged which seek to identify the impacts of spaces and places on people and provide new ways of certifying buildings. Case studies demonstrate the benefit of reflecting wellbeing in good design. Schroder Real Estate is working to embed this aspect into its investment process, especially in relation to refurbishments and developments.

Stakeholder engagement and community
Schroder Real Estate seeks active engagement with tenants to ensure a good occupational experience to help retain and attract tenants. As the day-to-day relationship is with the property manager, the Property Manager Sustainability Requirements include a key performance indicator on tenant engagement.

Bracknell Town Centre, Bracknell

Schroder Real Estate believes in the importance of understanding a building's relationship with the community and its contribution to the wellbeing of society. Positively impacting on local communities helps create successful places that foster community relationships, contribute to local prosperity, attract building users and ultimately, lead to better, more resilient investments. Schroder Real Estate looks to understand and develop the community relationship to ensure investments provide sustainable social solutions for the long term.

Compliance with legislation

Carbon Reduction Commitment (CRC)
The Fund qualified for Phase II of the CRC Energy Efficiency Scheme and the purchase of allowances. The Fund complies with the CRC Scheme requirements and a submission for the 2019 reporting year will be made. It was announced in the March 2016 Budget that the CRC Scheme will not continue beyond Phase II, which ends on 31 March 2019. The 2019 report should be the final CRC report required.

Streamlined Energy and Carbon Reporting
The UK's Streamlined Energy and Carbon Reporting requirements came into effect on 1 April 2019 for financial reporting years starting on or after this date. Schroders is assessing whether the Fund is in scope of this regulation and will manage compliance for SREF as required for the next financial reporting period.

Energy Savings Opportunity Scheme
The Fund was in scope of the Energy Savings Opportunity Scheme and a completed notification was submitted in 2015. The audits required under the scheme support our programme to implement improvement initiatives across the portfolio. The second phase of reporting is required in 2019.

The Investment Manager monitors policy and legislation relating to ESG issues to develop its EMS and manage risk and compliance.

Industry initiatives

Global Real Estate Sustainability Benchmark (GRESB)
The Fund has participated in GRESB since 2013. We are pleased to report that in 2018 the Fund, for the fourth year running, was awarded a 'Green Star' (this rating is achieved where scores for the two dimensions of Management and Policy and Implementation and Measurement are at least 50 out of 100 points). A submission has been made for the 2019 GRESB survey, for which results are due in September 2019. GRESB is the dominant global standard for assessing ESG performance for real estate funds and companies.

Environmental data
This year the Sustainability Report has again been aligned with the INREV Sustainability Reporting Guidelines 2016 and therefore includes an Environmental Data Report for the portfolio presented using GRESB methodology. The Environmental Data Report is included from page 52.

Industry participation
Schroder Real Estate is a member of a number of industry bodies, including the European Public Real Estate Association (EPRA), INREV (European Association for Investors in Non-Listed Real Estate Vehicles), British Council for Offices and the British Property Federation. It was a founding member of the UK Green Building Council in 2007 and in 2017 became a member of the Better Buildings Partnership and a Fund Manager Member of GRESB.

Employee policies and corporate responsibility

Employees
The Fund has no direct employees. The Investment Manager is part of Schroders plc, which has responsibility for the employees that support SREF. Schroders believes diversity of thought and an inclusive workplace are key to creating a positive environment for its people. Schroder Real Estate's real estate team have a sustainability objective within their annual objectives.

Further information on Schroders' principles in relation to people, including diversity, gender pay gap, values, employee satisfaction survey, wellbeing and retention, can be found from page 30 of Schroders Annual Report and Accounts 2018.

https://www.schroders.com/en/sysglobalassets/digital/global/annual-report/documents/annual-report-full.pdf

Corporate responsibility
Schroders' commitment to corporate responsibility is to ensure that its commitment to act responsibly, support clients, deliver value to shareholders and make a wider contribution to society is embedded across its business in all that it does.

Full information on Schroders' Corporate Responsibility approach, including its economic contribution, environmental impacts and community involvement, can be found at http://www.schroders.com/en/about-us/corporate-responsibility/

Slavery and Human Trafficking Statement
The Fund is not required to produce a statement on slavery and human trafficking pursuant to the Modern Slavery Act 2015 as it does not satisfy all the relevant triggers under that Act that required such a statement. Schroder Real Estate, the Investment Manager to the Fund, is part of Schroders plc and whose statement on Slavery and Human Trafficking has been published in accordance with the Modern Slavery Act 2015 (the 'Act'). It sets out the steps that Schroders plc and other relevant Group companies ('Schroders' or the 'Group') have taken during 2018 and will be taking in 2019 to prevent slavery and human trafficking from taking place in its supply chains or any part of its business. Schroder Real Estate is part of the Schroders Group.

Schroders' statement can be found at http://www.schroders.com/en/about-us/corporate-responsibility/slavery-and-human-trafficking-statement/

Report of the Authorised Corporate Director and Statement of Responsibilities

The Financial Statements
We are pleased to present the Audited Consolidated Financial Statements of the Schroder UK Real Estate Fund for the year ended 31 March 2019.

The Fund
Schroder UK Real Estate (the 'Fund') is an investment fund with variable capital incorporated in England and Wales under registered number IC000945 and authorised by the Financial Conduct Authority (FCA) with effect from 31 July 2012. The Fund has an unlimited duration. The shareholders are not liable for any debts of the Fund.

The investment objective of the Fund is to undertake real estate investment business and to manage cash raised from investors for investment in the real estate investment business, with the intention of achieving a blend of income and capital growth. The Fund's target return is to achieve 0.5% per annum (net of all fees and expenses) above the benchmark (the AREF/IPD UK Quarterly Property Fund Index – All Balanced Property Fund Index Weighted Average) over rolling three-year periods. The Fund will seek to diversify risk by holding a mixed portfolio of retail, office, industrial and other real estate throughout the UK.

The policy for achieving these objectives is that the Fund will invest in UK real estate. The Fund may also invest in transferable securities (including REITs, government bonds and unquoted companies), units in collective investment schemes, units in unregulated collective investment schemes (which may include unauthorised property unit trusts and limited partnerships), money market instruments, deposits, cash and cash equivalents.

Authorised status
From 31 July 2012 the Fund was authorised as an Open-Ended Investment Fund under Regulation 12 of the Open-Ended Investment Companies Regulations 2001.

Annual General Meetings
The Fund will not be holding any Annual General Meetings.

Statement of Responsibilities of the Authorised Corporate Director
The FCA's Collective Investment Schemes sourcebook (COLL) requires the Authorised Corporate Director (ACD) to prepare accounts for each annual and half-yearly accounting period, in accordance with United Kingdom Generally Accepted Accounting Practice, which give a true and fair view of the financial position of the Fund and of its net revenue and the net capital gains on the property of the Fund for the year. In preparing the accounts the ACD is required to:

- select suitable accounting policies and then apply them consistently;
- comply with the disclosure requirements of the Statement of Recommended Practice for UK Authorised Funds issued by the IMA in May 2014;
- follow generally accepted accounting principles and applicable accounting standards;
- prepare the accounts on the basis that the Fund will continue in operation unless it is inappropriate to do so;
- keep proper accounting records which enable it to demonstrate that the accounts as prepared comply with the above requirements; and
- make judgements and estimates that are prudent and reasonable.

The ACD is responsible for the management of the Fund in accordance with its Instrument of Incorporation, Prospectus and COLL and for taking reasonable steps for the prevention and detection of fraud, error and non-compliance with law or regulations.

So far as the ACD is aware, there is no relevant audit information of which the Group and the Fund's Auditors are unaware, and the ACD has taken all the steps that he or she ought to have taken as an ACD in order to make himself or herself aware of any relevant audit information and to establish that the Group and the Fund's Auditors are aware of that information.

The ACD's Report and Accounts for the year ended 31 March 2019 were signed on 19 July 2019 on behalf of the ACD by:

J. Walker-Hazell

P. Chislett

Schroder Unit Trusts Limited
19 July 2019

AIFMD Remuneration Disclosures for Schroder Unit Trusts Limited (SUTL)

For the year to 31 December 2018

These disclosures form part of the non-audited section of this Annual Report and Accounts and should be read in conjunction with the Schroders plc Remuneration Report on pages 68 to 90 of the 2018 Annual Report and Accounts (available on the Group's website – www.schroders.com/ir), which provides more information on the activities of our Remuneration Committee and our remuneration principles and policies.

The AIF Material Risk Takers (AIF MRTs) of SUTL are individuals whose roles within the Schroders Group can materially affect the risk of SUTL or any AIF fund that it manages. These roles are identified in line with the requirements of the AIFM Directive and guidance issued by the European Securities and Markets Authority.

The Remuneration Committee of Schroders plc has established a remuneration policy to ensure the requirements of the AIFM Directive are met for all AIF MRTs. The Remuneration Committee and the Board of Schroders plc review remuneration strategy at least annually. The directors of SUTL are responsible for the adoption of the remuneration policy, for reviewing its general principles at least annually, for overseeing its implementation and for ensuring compliance with relevant local legislation and regulation. During 2018 the Remuneration Policy was reviewed to ensure compliance with the UCITS/AIFMD remuneration requirements and no significant changes were made.

The implementation of the remuneration policy is, at least annually, subject to independent internal review for compliance with the policies and procedures for remuneration adopted by the Board of SUTL and the Remuneration Committee. The most recent review found no fundamental issues, but resulted in a range of more minor recommendations, principally improvements to process and policy documentation.

The total spend on remuneration is determined based on a profit share ratio, measuring variable remuneration charge against pre-bonus profit, and from a total compensation ratio, measuring total remuneration expense against net income. This ensures that the interests of employees are aligned with Schroders' financial performance. In determining the remuneration spend each year, the underlying strength and sustainability of the business is taken into account, along with reports on risk, legal, compliance and internal audit matters from the heads of those areas.

The remuneration data that follows reflects amounts paid in respect of performance during 2018.

- The total amount of remuneration paid by SUTL to its staff was nil as SUTL has no employees. SUTL has two independent non-executive Directors who receive fees in respect of their role on the Board of SUTL. Employees of other Schroders Group entities who serve as directors of SUTL receive no additional fees in respect of their role on the Board of SUTL.
- The following disclosures relate to AIF MRTs of SUTL. Most of those AIF MRTs were employed by and provided services to other Schroders Group companies and clients. As a result, only a portion of remuneration for those individuals is included in the aggregate remuneration figures that follow, based on an objective apportionment to reflect the balance of each role using relevant regulated AUM as a proportion of the total AUM within the scope of each role. The aggregate total remuneration paid to the 142 AIF MRTs of SUTL in respect of the financial year ended 31 December 2018, and attributed to SUTL or the AIF funds that it manages, is £5.9 million, of which £2.2 million was paid to senior management, £3.6 million was paid to MRTs deemed to be taking risk on behalf of SUTL or the AIF funds that it manages, and £0.1 million was paid to Control Function MRTs.

For additional qualitative information on remuneration policies and practices, see www.schroders.com/rem-disclosures

Investment Manager's Statement of Responsibility

The ACD has delegated to the Investment Manager the function of managing the investment and reinvestment of the assets of the Fund.

On 31 July 2012, the ACD appointed Schroder Property Investment Management Limited to provide investment management, property management and advisory services to the ACD. On 24 November 2014, Schroder Property Investment Management Limited was renamed to Schroder Real Estate Investment Management Limited ('Schroder Real Estate'). Schroder Real Estate is a member of the same Group (Schroders plc) as the ACD.

The Investment Manager has discretionary responsibility for implementing investment policy and is responsible to investors for the performance of the Fund. Adherence to such policies is monitored quarterly through reporting by the Investment Manager to the Real Estate Investment Risk Committee, which is an integral part of the Schroders Investment Risk Framework (SIRF). The Investment Manager is also responsible for marketing the Fund, pricing and accounting for the Fund, providing all relevant information to valuers, managing agents and for providing performance information to IPD (Investment Property Databank). All delegated appointments by the Investment Manager are on an advisory basis.

Subject to the investment objectives and restrictions contained in the OEIC Regulations and COLL (Collective Investment Schemes Sourcebook) and the investment and borrowing guidelines contained in the Prospectus, the Investment Manager has discretion to take decisions in relation to the management of the Fund, without prior reference to the ACD. As required by COLL, the Investment Manager must obtain the consent of the Depositary for the acquisition or disposal of immovable property.

Legal and product limits

The prospectus, which has been approved by the FCA, sets out the nature of permitted investments and the broad parameters within which the Fund must be managed. If one of these is breached, depending on the nature of the breach, they are reportable to the FCA and subject to agreed remedies. These are shown as legal limits in the table below.

The Investment Manager confirms that these limits have not been breached in the year to 31 March 2019.

Other risk controls, such as product limits shown in the table below, are also monitored as part of SIRF, which is a Group-wide control process designed to ensure that products and portfolios are managed in a manner that is consistent with their performance objectives and corresponding risk profiles.

From time to time the Investment Manager may propose revisions to the product limits in order to better control the risks which may impact the Fund's ability to achieve its objectives. Any changes will require the approval of SIRF and the ACD.

Legal limits	Product limits
Minimum 60% assets (NAV) must form part of its Property Investment Business	Sector exposure: Maximum absolute load difference +/– 50% vs benchmark. Maximum divergence of Central London +/– 10% Maximum divergence in alternatives +/– 10%
Minimum 60% income must come from the Property Investment Business	Investment in a single indirect vehicle: 15% NAV
Maximum aggregate investment in indirect vehicles: 40% NAV	Aggregate investment in indirect vehicles: 35% NAV
Maximum 15% of the NAV invested in a single asset	Aggregate investment in joint ventures: 35% NAV
Maximum 20% of the NAV committed to development (on/off balance sheet)	Investment in UK property related listed securities: aggregate 10% NAV – individual 2.5% NAV
Maximum borrowing (on/off balance sheet): 25% NAV	Maximum investment in undeveloped and non-income producing land: 10% NAV
Investment on and off balance sheet in shorter/medium-term leaseholds (less than 50 years): 20% NAV	Maximum on and off balance sheet percentage income from non-government tenant: 10%
Maximum speculative development: 15% NAV	Maximum on balance sheet uncommitted cash: 10% NAV
	Maximum on and off balance sheet debt: 25% NAV

Independent Property Valuers' Report

Knight Frank LLP

As Independent Valuer for the Fund, we have valued immovables held by the Fund as at 1 April 2019 in accordance with RICS Valuation – Global Standards 2017, incorporating International Valuation Standards and RICS Valuation – Professional Standards UK January 2014 (revised April 2015) and in accordance with the COLL 8.4.13R of the Collective Investment Schemes Sourcebook. Schroder Unit Trusts Limited, as ACD of the Fund, has been provided with a full valuation certificate and report. The immovables have been valued on the basis of Market Value as defined by the RICS Valuation Standards subject to existing leases.

We have been provided with information from the relevant Property Managers including tenancy schedules and floor areas and assumed that the Fund's interests are not subject to any onerous restrictions, to the payment of any unusual outgoings or to any charges, easements or rights of way, other than those to which we have referred in our reports. We rely upon the Property Manager to keep us advised of any changes that may occur in the investments. We are not instructed to carry out structural surveys nor test any of the service installations. Our valuations therefore have regard only to the general condition of the properties evident from our inspections. We have assumed that no materials have been used in the buildings which are deleterious, hazardous or likely to cause structural defects. We are not instructed to carry out investigations into pollution hazards which might affect the properties and our valuations assume the properties are not adversely affected by any form of pollution.

In our opinion the aggregate of the market values of the five immovables owned by the Fund as at 1 April 2019 is £42.160 million. This figure represents the aggregate of the values attributable to the individual immovables and should not be regarded as a valuation of the portfolio as a whole in the context of a sale as a single lot.

No allowance is made in our valuations for the costs of realisation, any liability for tax which might arise on the event of disposal or for any mortgage or similar financial encumbrance over the property. Our valuations exclude VAT.

Knight Frank LLP – 31 March 2019

BNP Paribas Real Estate

As Standing Independent Valuer for the Fund, we have valued immovables held by the Fund as at 1 April 2019 in accordance with IFRS 13, FRS 102 and the RICS Valuation – Global Standards 2017, (the 'Red Book') and in accordance with the COLL 8.4.13R of the Collective Investment Schemes Sourcebook. Schroder Unit Trusts Limited, as Authorised Corporate Director of the Fund, has been provided with a full valuation certificate and report. The immovables have been valued on the basis of Market Value as defined by the RICS Valuation Standards subject to existing leases.

Details of the nature and extent of the immovables, the tenure and tenancies, permitted uses, town planning consents and related matters, have been supplied by the Investment Manager, Schroder Real Estate Investment Management Limited. We have generally been provided with copies of leases but we have not examined the title documents and we have therefore assumed that the Fund's interests are not subject to any onerous restrictions, to the payment of any unusual outgoings or to any charges, easements or rights of way, other than those to which we have referred in our reports. We rely upon the Investment Manager to keep us advised of any changes that may occur in the investments. We are not instructed to carry out structural surveys nor test any of the service installations. Our valuations therefore have regard only to the general condition of the properties evident from our inspections. We have assumed that no materials have been used in the buildings which are deleterious, hazardous or likely to cause structural defects. We are not instructed to carry out investigations into pollution hazards which might affect the properties and our valuations assume the properties are not adversely affected by any form of pollution.

In our opinion the aggregate of the market values of the 42 immovables owned by the Fund as at 1 April 2019 is £1,543,795,000. This figure represents the aggregate of the values attributable to the individual immovables and should not be regarded as a valuation of the portfolio as a whole in the context of a sale as a single lot.

In the case of the immovables in the course of development, our valuations reflect the stage reached in construction and the costs already incurred at the date of valuation. We have had regard to the contractual liabilities of the parties involved in the developments and any cost estimates which have been prepared by professional advisers.

No allowance is made in our valuations for the costs of realisation, any liability for tax which might arise on the event of disposal or for any mortgage or similar financial encumbrance over the property. Our valuations exclude VAT.

BNP Paribas Real Estate – 31 March 2019

Depositary's Report and Statement of Responsibilities

Statement of Responsibilities

Statement of the Depositary's Responsibilities and Report of the Depositary to the shareholders of Schroder UK Real Estate Fund (the 'Company') for the period ended 31 March 2019.

The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Investment Funds Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) (the 'OEIC Regulations'), as amended, the Financial Services and Markets Act 2000, as amended, (together 'the Regulations'), the Company's Instrument of Incorporation and Prospectus (together 'the Scheme documents') as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Company in accordance with the Regulations.

The Depositary must ensure that:
- the Company's cash flows are properly monitored and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the value of shares in the Company is calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company's income is applied in accordance with the Regulations; and
- the instructions of the Alternative Investment Fund Manager ('AIFM') are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that the Company is managed in accordance with the Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Company.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the AIFM:

(i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income, in accordance with the Regulations and the Scheme documents of the Company; and

(ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

NatWest PLC – 31 March 2019

Independent Auditors' Report to the Shareholders of Schroder UK Real Estate Fund

Report on the audit of the financial statements

Opinion

In our opinion, Schroder UK Real Estate Fund's Group and Fund's financial statements ("the financial statements"):

- give a true and fair view of the financial position of the Group and the Fund as at 31 March 2019 and of the net revenue and the net capital gains on the scheme property of the Group and the Fund for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), the Statement of Recommended Practice for UK Authorised Funds, the Collective Investment Schemes sourcebook and the Instrument of Incorporation.

Schroder UK Real Estate Fund (the "Fund") is an Open Ended Investment Company ('OEIC'). We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated and Fund Balance Sheets as at 31 March 2019; the Consolidated and Fund Statements of Total Return, the Consolidated and Fund Statements of Changes in Net Assets Attributable to Shareholders, and the Consolidated and Fund Cash Flow Statements for the year then ended; the distribution table; and the notes to the financial statements, which include a description of the significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the Authorised Corporate Director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Authorised Corporate Director has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and the Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Fund's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's and Fund's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Authorised Corporate Director is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Report of the Authorised Corporate Director

In our opinion, the information given in the Report of the Authorised Corporate Director and Statement of Responsibilities for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditors' Report to the Shareholders of Schroder UK Real Estate Fund continued

Responsibilities for the financial statements and the audit

Responsibilities of the Authorised Corporate Director for the financial statements

As explained more fully in the Statement of Responsibilities of the Authorised Corporate Director set out on page 28, the Authorised Corporate Director is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Authorised Corporate Director is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Authorised Corporate Director is responsible for assessing the Group's and the Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Authorised Corporate Director either intends to wind up or terminate the Group or the Fund, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Fund's shareholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook as required by paragraph 67(2) of the Open-Ended Investment Companies Regulations 2001 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Opinion on matter required by the Collective Investment Schemes sourcebook

In our opinion, we have obtained all the information and explanations we consider necessary for the purposes of the audit.

Collective Investment Schemes sourcebook exception reporting

Under the Collective Investment Schemes sourcebook we are also required to report to you if, in our opinion:

- proper accounting records of the Fund have not been kept; or
- the financial statements of the Fund are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

19 July 2019

Consolidated and Fund Statements of Total Return

For the year ended 31 March 2019

	Notes	**Consolidated Year ended 31 March 2019 £'000**	**Fund Year ended 31 March 2019 £'000**	Consolidated Year ended 31 March 2018 £'000	Fund Year ended 31 March 2018 £'000
Income					
Net capital gains	4	67,515	67,515	176,920	176,920
Revenue	5	113,198	108,042	119,148	108,416
Gain attributable to non-controlling interest		47	–	80	–
Expenses	6	(45,293)	(40,090)	(46,656)	(35,844)
Net revenue before taxation		**67,952**	**67,952**	**72,572**	**72,572**
Taxation	8	–	–	–	–
Net revenue after taxation		67,952	67,952	72,572	72,572
Total return before distribution		**135,467**	**135,467**	**249,492**	**249,492**
Finance costs: distributions	7	(76,967)	(76,967)	(80,642)	(80,642)
Change in net assets attributable to shareholders from investment activities		**58,500**	**58,500**	**168,850**	**168,850**

Consolidated and Fund Statements of Changes in Net Assets Attributable to Shareholders

For the year ended 31 March 2019

	Consolidated Year ended 31 March 2019 £'000	**Fund Year ended 31 March 2019 £'000**	Consolidated Year ended 31 March 2018 £'000	Fund Year ended 31 March 2018 £'000
Opening net assets attributable to shareholders	**2,515,235**	**2,515,235**	**2,320,418**	**2,320,418**
Amounts receivable on creation of shares	21,861	21,861	25,967	25,967
Change in net assets attributable to shareholders from investment activities	58,500	58,500	168,850	168,850
Closing net assets attributable to shareholders	**2,595,596**	**2,595,596**	**2,515,235**	**2,515,235**

Consolidated and Fund Balance Sheets

As at 31 March 2019

	Notes	**Consolidated Year ended 31 March 2019 £'000**	**Fund Year ended 31 March 2019 £'000**	Consolidated Year ended 31 March 2018 £'000	Fund Year ended 31 March 2018 £'000
ASSETS					
Investment assets					
Investment property and Development property	10	2,068,913	1,575,495	1,939,467	1,481,828
Building licence agreement	20	34,574	–	41,678	–
Investment in collective investment schemes	20	12,550	12,550	15,275	15,275
Investment in subsidiaries	9	–	466,018	–	424,977
Investment in joint ventures		367,019	364,968	374,032	370,620
Total investment assets		**2,483,056**	**2,419,031**	**2,370,452**	**2,292,700**
Debtors	11	40,386	131,749	56,815	146,443
Bank deposits	12	50,072	50,072	50,000	50,000
Cash and bank balances	12	64,313	30,764	79,654	60,338
Total other assets		**154,771**	**212,585**	**186,469**	**256,781**
Total assets		**2,637,827**	**2,631,616**	**2,556,921**	**2,549,481**
LIABILITIES					
Creditors	13	34,708	29,870	34,326	28,167
Distribution payable		6,150	6,150	6,079	6,079
Net assets attributable to non-controlling interests		1,373	–	1,281	–
Total liabilities		**42,231**	**36,020**	**41,686**	**34,246**
Net assets attributable to shareholders		**2,595,596**	**2,595,596**	**2,515,235**	**2,515,235**

Consolidated and Fund Cash Flow Statements

For the year ended 31 March 2019

	Notes	**Consolidated Year ended 31 March 2019 £'000**	**Fund Year ended 31 March 2019 £'000**	Consolidated Year ended 31 March 2018 £'000	Fund Year ended 31 March 2018 £'000
Net cash inflow from operating activities	17	**84,763**	**84,349**	**43,523**	**52,842**
Interest received		148	11	11	3,134
Total cash generated from operating activities		**84,911**	**84,360**	**43,534**	**55,976**
Investing activities					
Disposals/(purchases) in subsidiaries		6,098	(13,419)	(37,406)	(76,563)
Purchases in joint ventures		(4,500)	(4,500)	(11,370)	(11,369)
Litigation proceeds		–	–	8,686	8,686
Sale of investment property		12,960	–	33,625	33,625
Capital expenditure		(59,732)	(40,937)	(60,883)	(9,874)
Net cash used in investing activities		**(45,174)**	**(58,856)**	**(67,348)**	**(55,495)**
Financing activities					
Amounts received on issue of shares		21,861	21,861	25,967	25,967
Distributions paid		(76,867)	(76,867)	(80,766)	(80,766)
Net cash outflow from financing activities		**(55,006)**	**(55,006)**	**(54,799)**	**(54,799)**
Decrease in cash in the year		**(15,269)**	**(29,502)**	**(78,613)**	**(54,318)**
Net cash at the start of the year		**129,654**	**110,338**	**208,267**	**164,656**
Net cash at the end of the year	16	**114,385**	**80,836**	**129,654**	**110,338**

Notes to the Financial Statements

1. Accounting policies

(a) Basis of accounting

The accounts have been prepared under the historic cost basis, as modified by the revaluation of investment assets, and in accordance with the Statement of Recommended Practice for UK Authorised Funds (SORP) issued by the Investment Management Association (IMA) in May 2014 and in accordance with the Scheme and the Collective Investment Schemes Sourcebook and United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 (The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102)).

Consolidation

Consolidated financial statements have been prepared in accordance with FRS 102 'Accounting for Subsidiary Undertakings'. The Consolidated Statement of Total Return, Consolidated Statement of Change in Net Assets Attributable to Shareholders, Consolidated Balance Sheet and Consolidated Cash Flow Statement include the financial statements of each sub-fund and its subsidiary undertakings. Intra-Group transactions are eliminated fully on consolidation.

The interest of non-controlling interest shareholders in the acquiree is measured at their proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Business combinations

Business combinations are accounted for by applying the purchase method. The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages, the cost is the consideration at the date of each transaction.

Going concern

The financial statements have been prepared on a going concern basis in accordance with the historical cost convention, as modified by the revaluation of investment assets, and in accordance with applicable United Kingdom accounting standards and the Prospectus.

The Authorised Corporate Director (ACD) has examined significant areas of possible financial risk and has not identified any material uncertainties which would cast significant doubt on the Group's and Fund's ability to continue as a going concern for a period of at least, but not limited to 12 months from the date of the approval of the consolidated financial statements. The ACD has satisfied themselves that the Group and Fund have adequate resources to continue in operational existence for the foreseeable future.

After due consideration, the ACD believes it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

Use of estimates and judgements

The preparation of financial statements in conformity with FRS 102 requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

The most significant estimates made in preparing these financial statements relate to the carrying value of investment properties, collective investment schemes and building licence agreements. The Group uses external professional valuers to determine the fair value of investment properties. Collective investment schemes are valued at the bid price as provided by the relevant managers and building licence agreements are fair valued using a discounted cash flow. Judgements made by management in the application of FRS 102 that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are disclosed in note 20 under the heading 'Fair value measurement'.

(b) Basis of valuation of investments

(i) Properties owned by the Fund, including investments in properties owned through partnerships and trusts for land, are independently valued on a market value basis in accordance with Royal Institute of Chartered Surveyors guidance. Development properties in the course of development are independently valued having regard to the stage reached in the construction and taking account of any agreed letting and of any contractual liabilities to advance further monies. Where legal completion of a purchase is not fully executed at the date of the Consolidated Balance Sheet, but takes place subsequently, or in the case of development properties purchased for development where no work has yet taken place, the property is shown at cost unless, in the opinion of the Manager, there may be a material difference between cost and valuation on completion.

(ii) Collective investment schemes are valued at the bid price as provided by the relevant managers, in accordance with industry practice.

(iii) Subsidiaries and joint ventures are valued at the net asset value (NAV) price as provided by the relevant managers, which is the best estimate of fair value in accordance with industry practice.

(iv) Building licence agreements are fair valued using a discounted cash flow, based on valuations provided by the pricing risk department internally, and approved by the Real Estate Local Pricing Committee.

1. Accounting policies continued

(c) Property purchases and sales
Acquisitions and disposals of investment properties and collective investment schemes are recognised where, by the end of the accounting period, there is a legally binding, unconditional and irrevocable contract.

(d) Recognition of revenue and expenses
Rental income is recognised in the Statement of Comprehensive Income on a straight-line basis, including a best estimate for unsettled rent reviews. Provisions are made where, in the opinion of the Authorised Corporate Director, amounts are deemed likely to be irrecoverable. Service charge income and expenses are included in revenue and other property operating expenses respectively.

Benefits to lessees in the form of rent-free periods are treated as a reduction in the overall return on the leases and, in accordance with FRS 102, are recognised on a straight-line basis over the lease term. Capital contributions paid to tenants are shown as a debtor and amortised over the lease term. The valuation of the investment property is reduced by all lease incentives.

Deposit interest, interest receivable and payable, income from collective investment schemes and other revenue are accounted for on an accruals basis.

(e) Treatment of management expenses
Fees are recognised on an accruals basis and are charged in full to the Statement of Total Return. The Manager has allocated 50% of the management fees to income and the remaining 50% to capital for the calculation of distributable income.

(f) Treatment of development and acquisition expenses
Development and acquisition expenses have been treated as costs of purchasing property investments and are accordingly treated as capital.

(g) Receivables and creditors
Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. An impairment provision is created for receivables when there is objective evidence that the Group will not be able to collect in full.

(h) Intercompany loan receivables
Intercompany loan receivables are booked at fair value and subsequently measured at amortised cost using the effective interest method. An impairment provision is created for intercompany loan receivables where there is objective evidence that the Group will not be able to collect in full.

(i) Cash flow statement
In accordance with the requirements of FRS 102 (Revised) and the SORP as issued by IMA, a Consolidated Cash Flow Statement has been provided.

(j) Tax
The Fund qualifies as a Property Authorised Investment Fund (PAIF) for tax purposes. Accordingly, the income generated by its property investment business will be exempt from tax. Any dividend income it receives from United Kingdom companies or, in general, from non-United Kingdom companies will also be exempt from tax.

The Fund would, however, be subject to corporation tax in the event that there should be a net balance of other income, which will generally consist of interest but could include other property income, less deductible expenses (including interest distributions).

Under the PAIF regulations, the Fund makes distributions gross to the sole share class in an issue during the year.

(k) Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

2. Distribution policies

(a) Basis of distribution
Revenue is generated by the Fund's investments during each accounting period. Where revenue exceeds expenses, the net income of the Fund is available to be distributed to shareholders. All income is distributed, at share class level, to the shareholders in accordance with the Fund's Prospectus on a monthly basis. Income equalisation will not apply to the Fund as it is not a daily dealing Fund. Revenue attributable to accumulation shareholders is retained at the end of the distribution period and represents a reinvestment of revenue.

(b) Apportionment to multiple share classes
The allocation of revenue and expenses to each share class is based on the proportion of the Fund's assets attributable to each share class on the day the revenue is earned or the expenses are suffered.

(c) Expenses
In determining the net revenue available for distribution, expenses related to the purchase and sale of investments are capitalised and do not reduce distributions.

Notes to the Financial Statements continued

3. Risk management policies

(a) Market risk and valuations of property

The exposure to market risk arising from the prevailing general economic conditions and market sentiment may affect the balance sheet and total return of the Fund. Immovable property and immovable property-related assets are inherently difficult to value due to the individual nature of each property. As a result, valuations are subject to uncertainty and are a matter of an independent valuer's opinion. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales price even where a sale occurs shortly after the valuation date.

Market risk is reduced through holding a geographically diversified portfolio that invests across various property sectors. The Manager adheres to the investment guidelines and investment and borrowing powers established in the Prospectus, scheme particulars and in the rules governing the operation of open-ended investment companies.

(b) Credit and liquidity risk

The Fund can be exposed to credit risk arising from the possibility that another party fails to fulfil its obligations and liquidity risk surrounding its capacity to meet its liabilities.

Receivables for the year to 31 March 2019 amounted to £3.54 million consolidated and £3.26 million for the Fund (31 March 2018: £3.69 million and £2.79 million) and the provision for doubtful debts for the year ended 31 March 2019 amounted to £0.38 million (31 March 2018: £1.01 million). As at 31 March 2019 there were no receivables that were past due but not impaired.

Investments in immovable property are relatively illiquid and more difficult to realise than most equities or bonds. If an asset cannot be liquidated in a timely manner then it may be harder to attain a reasonable price. The liquidity risk, derived from the liability to shareholders, is minimised through holding cash which can meet the usual requirements of share redemptions.

The Investment Manager's policy for managing this risk is to:

1. Operate a strict share redemption policy such that shareholders may only serve notice to redeem at the end of each quarter.
2. Raise sufficient cash resources within the Fund to finance a limited number of redemptions.
3. Review the need for and maintain as appropriate a borrowing facility, and reserve the right to defer payment of redemptions.

(c) Currency risk

All financial assets and financial liabilities of the Fund are in sterling, thus the Fund has no exposure to currency risk at the balance sheet date.

(d) Interest rate risk

The Fund has the ability to access debt facilities, but did not have any debt facilities during the year. The Fund held £114.4 million of Group cash at the end of the year and this is exposed to interest rate risk.

There were no changes to the risk management policies during the year to 31 March 2019.

4. Net capital gains/losses

	Consolidated Year ended 31 March 2019 £'000	**Fund Year ended 31 March 2019 £'000**	Consolidated Year ended 31 March 2018 £'000	Fund Year ended 31 March 2018 £'000
Gains for the year on direct properties	81,754	52,770	168,957	148,488
(Losses)/gains for the year on collective investment schemes	(2,725)	24,897	195	16,167
(Losses)/gains for the year on joint ventures	(11,514)	(10,152)	7,768	12,265
Net gains on investment properties	**67,515**	**67,515**	**176,920**	**176,920**

For the year ended 31 March 2019, £67.5 million net gains were unrealised (2018: £0.9 million out of £176.9 million were realised gains and £177.8 million unrealised). For the Group, £1.0 million were realised and £66.5 million were unrealised gains (2018: £0.9 million out of £176.9 million were realised gains and £177.8 million unrealised). Where realised gains include amounts arising in previous periods, a corresponding (loss)/gain is included in unrealised gains.

5. Revenue

	Consolidated Year ended 31 March 2019 £'000	**Fund Year ended 31 March 2019 £'000**	Consolidated Year ended 31 March 2018 £'000	Fund Year ended 31 March 2018 £'000
Bank, deposit and loan interest	147	6,495	11	3,133
Rental revenue	79,477	66,175	81,836	66,451
Income from collective investment schemes	18,239	23,863	14,557	26,458
Service charge income	11,918	10,549	14,357	10,456
Other income	3,417	960	8,387	1,918
Total revenue	**113,198**	**108,042**	**119,148**	**108,416**

6. Expenses

	Consolidated Year ended 31 March 2019 £'000	**Fund Year ended 31 March 2019 £'000**	Consolidated Year ended 31 March 2018 £'000	Fund Year ended 31 March 2018 £'000
Authorised Corporate Director and associates				
Investment Management fees	16,248	15,954	15,431	15,086
Depositary				
Depositary fee	371	371	352	352
Other				
Valuers' fee	619	489	526	420
Audit fee	360	304	249	201
Service charge expenses	16,515	14,018	18,606	13,069
Other Fund-level expenses	1,836	1,126	5,006	1,286
Other property operating expenses	9,344	7,828	6,486	5,430
Total other	**28,674**	**23,765**	**30,873**	**20,406**
Total expenses	**45,293**	**40,090**	**46,656**	**35,844**

The audit fee for the Schroder UK Real Estate Feeder Trust is borne by Schroder UK Real Estate Fund. For the year to 31 March 2019 this was £20,888 (2018: £20,280). PricewaterhouseCoopers costs other than audit fees amounted to £130,842 for the year to 31 March 2019 (2018: £18,420).

Notes to the Financial Statements continued

7. Finance costs

	Consolidated Year ended 31 March 2019 £'000	**Fund Year ended 31 March 2019 £'000**	Consolidated Year ended 31 March 2018 £'000	Fund Year ended 31 March 2018 £'000
April	6,044	6,044	7,170	7,170
May	5,995	5,995	7,074	7,074
June	6,372	6,372	6,308	6,308
July	5,999	5,999	6,594	6,594
August	6,544	6,544	7,176	7,176
September	6,551	6,551	6,789	6,789
October	6,561	6,561	6,694	6,694
November	6,484	6,484	6,549	6,549
December	6,804	6,804	6,820	6,820
January	6,900	6,900	6,665	6,665
February	6,477	6,477	6,667	6,667
March	6,236	6,236	6,136	6,136
Gross distribution for the year	**76,967**	**76,967**	**80,642**	**80,642**

Difference between net revenue after taxation and the distribution paid is analysed as follows:

	Consolidated Year ended 31 March 2019 £'000	**Fund Year ended 31 March 2019 £'000**	Consolidated Year ended 31 March 2018 £'000	Fund Year ended 31 March 2018 £'000
Net revenue after taxation for the year	67,952	67,952	72,572	72,572
Expenses charged to capital	9,015	9,015	8,070	8,070
Gross distribution	**76,967**	**76,967**	**80,642**	**80,642**

8. Taxation

The Fund qualifies as a PAIF for tax purposes. Accordingly, the income generated by its real estate investment business will be exempt from tax. Any dividend income it receives from United Kingdom companies or, in general, from non-United Kingdom companies will also be exempt from tax.

The Fund would, however, be subject to corporation tax in the event that there should be a net balance of other income, which will generally consist of interest but could include other real estate income, less deductible expenses.

Under the PAIF regulations, the Fund makes real estate income distributions and interest distributions net of basic rate income tax except where the investor is entitled to gross payment. As at 31 March 2019 and 2018 the Fund had two authorised share classes: the gross share class on which distributions were made without deduction of income tax, and the net share class on which distributions were made with deduction of income tax.

(a) Analysis of charge in year

	Consolidated Year ended 31 March 2019 £'000	**Fund Year ended 31 March 2019 £'000**	Consolidated Year ended 31 March 2018 £'000	Fund Year ended 31 March 2018 £'000
Analysis of charge in year	–	–	–	–
Corporation tax at 20%	–	–	–	–
Current tax charge	**–**	**–**	**–**	**–**

8. Taxation continued

(b) Factors affecting the current tax charge for the year

Taxable income is charged at the standard rate of corporation tax for authorised funds (20%).

The reconciliation of the income statement tax charge to the standard rate on profits before tax is set out below:

	Consolidated Year ended 31 March 2019 £'000	**Fund Year ended 31 March 2019 £'000**	Consolidated Year ended 31 March 2018 £'000	Fund Year ended 31 March 2018 £'000
Total return before distribution	135,467	135,467	249,492	249,492
Corporation tax at 20%	27,093	27,093	49,898	49,898
Effects of:				
Revenue not subject to taxation	(27,093)	(27,093)	(49,898)	(49,898)
Current tax charge	**–**	**–**	**–**	**–**

(c) Provision for deferred tax

There was no provision required for deferred tax at the balance sheet date.

9. Investment in subsidiaries

	Ownership by SREF at 31 March 2019 %	Valuation at 1 April 2018 £'000	Capital contributions £'000	Capital distributions £'000	Net capital gains £'000	**Valuation at 31 March 2019 £'000**
Croydon Gateway Unit Trust	99.4	225,210	2,055	–	14,685	241,950
Hackbridge Unit Trust	99.0	42,562	–	(8,153)	9	34,418
Capital Point Slough Unit Trust	99.0	11,839	–	–	1,043	12,882
Hackbridge Limited	100.0	–	–	–	–	–
MP Kings Lyric S.á.r.l.	100.0	70,738	10,979	–	7,684	89,401
MP Kings Retail S.á.r.l.	100.0	29,178	8,537	–	218	37,933
MP W6 Car Parks Ltd	100.0	–	–	–	–	–
Self-Storage Unit Trust	100.0	45,450	–	–	3,984	49,434
		424,977	**21,571**	**(8,153)**	**27,623**	**466,018**

At 31 March 2019, SREF's holding in each of Hackbridge Unit Trust (HackUT), Capital Point Slough Unit Trust (CPSUT) and Self-Storage Unit Trust (Self-Storage) stood at 99%. The Fund owns two shares in Hackbridge Limited representing 100.0% of the shares in issue. Hackbridge Limited is a Jersey-registered limited company incorporated on 1 May 2005. Hackbridge Limited holds the remaining 1.0% interests in HackUT, CPSUT and Self-Storage. The Fund's holding in Croydon Gateway Unit Trust stood at 99.4%, with a minority interest of 0.6% held by an external investor. The Fund holds 100% of the shares in MP Kings Lyric S.á.r.l. and MP Kings Retail S.á.r.l., which are Luxembourg-registered companies.

On 8 August 2017, Self-Storage Unit Trust was set up to acquire all the shares in Meadow Holdings Limited. These were acquired on 10 August 2017 for a consideration of £44.4 million. Meadow Holdings Limited owned five self-storage units across London and the South East. There was no goodwill recognised as the consideration equalled the fair value of the investment properties.

Notes to the Financial Statements continued

10. Investment property

	Consolidated			Fund		
	Development property £'000	Investment property £'000	Total £'000	Development property £'000	Investment property £'000	Total £'000
Opening balance as at 1 April 2018	55,825	1,883,642	1,939,467	5,050	1,476,778	1,481,828
Disposals at cost	–	(11,817)	(11,817)	–	–	–
Additions to existing property	16,825	39,213	56,038	–	41,624	41,624
Unrealised gains	1,050	84,175	85,225	1,050	50,993	52,043
Balance as at 31 March 2019	**73,700**	**1,995,213**	**2,068,913**	**6,100**	**1,569,395**	**1,575,495**
Unamortised tenant incentives	**–**	**17,392**	**17,392**	**–**	**10,460**	**10,460**
Market valuation as at 31 March 2019	**73,700**	**2,012,605**	**2,086,305**	**6,100**	**1,579,855**	**1,585,955**

11. Debtors

	Consolidated Year ended 31 March 2019 £'000	**Fund Year ended 31 March 2019 £'000**	Consolidated Year ended 31 March 2018 £'000	Fund Year ended 31 March 2018 £'000
Rent receivable net of provision for doubtful debts	3,544	3,258	3,686	2,792
Distributions due from property-related investments	3,891	5,542	3,920	5,525
Tenant deposits	5,154	5,049	5,082	4,977
Unamortised tenant incentives	17,392	10,460	11,298	8,487
Monies due from managing agents	2,397	–	10,297	8,145
Intercompany loans and interest receivable	–	100,075	–	97,989
VAT receivable	–	–	251	–
Other debtors and prepayments	8,008	7,365	22,281	18,528
Total debtors	**40,386**	**131,749**	**56,815**	**146,443**

Intercompany loans and interest receivable relate to loans between MP Kings Retail S.á.r.l. and MP Kings Lyric S.á.r.l., and Schroder UK Real Estate Fund. The Intercompany loans are repayable on demand. Interest rates are split into tranches of interest, ranging from LIBOR plus 2.5375% to 12%.

12. Cash and bank balances

	Consolidated Year ended 31 March 2019 £'000	**Fund Year ended 31 March 2019 £'000**	Consolidated Year ended 31 March 2018 £'000	Fund Year ended 31 March 2018 £'000
Cash and bank balances	64,313	30,764	79,654	60,338
Deposits	50,072	50,072	50,000	50,000
Total cash and bank balances	**114,385**	**80,836**	**129,654**	**110,338**

13. Creditors

	Consolidated Year ended 31 March 2019 £'000	**Fund Year ended 31 March 2019 £'000**	Consolidated Year ended 31 March 2018 £'000	Fund Year ended 31 March 2018 £'000
Trade creditors	–	–	148	–
Deferred rental income	17,265	15,068	16,099	13,548
Tenant deposits	5,154	5,049	5,082	4,977
VAT payable	226	224	–	857
Amounts due on properties	4,944	4,449	5,296	5,090
Accrued Fund investment management fee	3,120	3,120	1,673	1,673
Other creditors and accruals	3,999	1,960	6,028	2,022
Total creditors	**34,708**	**29,870**	**34,326**	**28,167**

14. Long-term liabilities – loans

The Fund entered into a £100 million three-year loan facility with Abbey National on 4 April 2018. As at 31 March 2019 it had not drawn down any of this facility (31 March 2018: The Fund had a £100 million loan facility with Royal Bank of Scotland; the facility was cancelled on 4 April 2018).

15. Contingent liabilities and commitments

Nil as at 31 March 2019 (31 March 2018: nil).

16. Reconciliation of movement in net cash

	Consolidated Year ended 31 March 2019 £'000	**Fund Year ended 31 March 2019 £'000**	Consolidated Year ended 31 March 2018 £'000	Fund Year ended 31 March 2018 £'000
Cash and cash equivalents				
As at 1 April 2018	129,654	110,338	208,267	164,656
(Decrease) in cash	(15,269)	(29,502)	(78,613)	(54,318)
As at 31 March 2019	**114,385**	**80,836**	**129,654**	**110,338**

17. Reconciliation of net revenue before taxation to net cash inflow from operating activities

	Consolidated Year ended 31 March 2019 £'000	**Fund Year ended 31 March 2019 £'000**	Consolidated Year ended 31 March 2018 £'000	Fund Year ended 31 March 2018 £'000
Net revenue before taxation	67,952	67,952	72,572	72,572
Decrease/(increase) in debtors	16,429	14,694	(24,764)	(19,259)
(Decrease)/increase in creditors	382	1,703	(4,285)	(471)
As at 31 March 2019	**84,763**	**84,349**	**43,523**	**52,842**

Notes to the Financial Statements continued

18. Related parties

(a) Fees receivable by the Depositary

As Depositary, National Westminster Bank plc is entitled to a fee equivalent to 0.0224% per annum on the first £500 million of the Fund's NAV and 0.0125% per annum on any excess over £500 million of the Fund's NAV (2018: no change). During the year to 31 March 2019, Schroder UK Real Estate Fund incurred a fee of £0.37 million (2018: £0.35 million); this was charged in full to the Statement of Total Return and deducted from distributions.

(b) Fees receivable by the ACD and the Investment Manager

The remuneration of the ACD (Schroder Unit Trusts Limited) and the Investment Manager (Schroder Real Estate Investment Management Limited) is set out within the Company Prospectus. These fees are charged in full to the Statement of Total Return. 50% of such fees are allocated to capital and not deducted from distributions for the purpose of determining the value of such distributions. The fee for the year to 31 March 2019 amounted to £16.2 million consolidated and £16.0 million for the Fund (31 March 2018: £15.4 million and £15.1 million). The amount allocated to capital was £8.1 million for the consolidated and £8.0 million for the Fund (2018: £7.2 million and £7.0 million).

The Investment Manager also earns commission from individual shareholders of the Company which utilise its matched bargain service. Such commission is not included in these financial statements.

(c) Outstanding balances were due to the following which are considered to be related parties

There is no difference between the Fund and the consolidated level.

	Consolidated and Fund as at 31 March 2019 £'000	Consolidated and Fund as at 31 March 2018 £'000
National Westminster Bank plc	59	57
Schroder Real Estate Investment Management Ltd	1,433	1,389
Schroder Unit Trusts Limited	387	284

(d) Distributions

Gross distributions were receivable in the year from the following investments which are considered related under FRS 102 as they are managed or administered by an associate of the ACD. There is no difference between the Fund and consolidated level.

Received in the year	**Consolidated and Fund as at 31 March 2019 £'000**	Consolidated and Fund as at 31 March 2018 £'000
Bracknell Property Unit Trust	1,659	1,438
Croydon Gateway Property Unit Trust	7,979	12,224
Motor Retail Limited Partnership	1,738	1,797
Capital Point Slough Unit Trust	763	858
City Tower Unit Trust	3,964	2,960
Store Unit Trust	1,250	1,218
Gilbran Property Unit Trust	1,218	1,341
Self-Storage Unit Trust	453	–

Receivable as at year end	**Consolidated and Fund as at 31 March 2019 £'000**	Consolidated and Fund as at 31 March 2018 £'000
Bracknell Property Unit Trust	893	395
Croydon Gateway Property Unit Trust	1,538	1,343
Motor Retail Limited Partnership	436	426
Capital Point Slough Unit Trust	–	256
City Tower Unit Trust	1,114	912
Store Unit Trust	310	315
Gilbran Property Unit Trust	272	340
Self-Storage Unit Trust	–	–

18. Related parties continued

(e) Schroder UK Real Estate Fund Feeder Trust

The Manager of the Schroder UK Real Estate Fund Feeder Trust, which invests solely into the SREF, is part of the same group as the ACD of the SREF. During the year to 31 March 2019, the Schroder UK Real Estate Fund Feeder Trust was paid gross distributions totalling £9.8 million (2018: £12.1 million); as at year end £0.5 million was payable (2018: £1.2 million). The Schroder UK Real Estate Fund Feeder Trust incurred an audit fee during the year to 31 March 2019 of £20,888 (2018: £20,280), which is borne in full by the Schroder UK Real Estate Fund.

19. Financial instruments

The primary financial instruments held by the Fund and at a Group level at 31 March 2019 were property-related investments, cash, short-term assets and liabilities to be settled in cash. The Fund did not hold, and was not a counterparty to, any derivative instruments either during the year or at the year end.

The policies applied to the management of the financial instruments are set out in note 3. The fair values of the Fund's and the Group's assets and liabilities are represented by the values shown in the balance sheets on page 36. There is no material difference between the carrying value of the financial assets and liabilities, as shown in the balance sheets, and their fair value.

20. Fair value hierarchy

	2019			
Assets	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Collective investment schemes	–	–	12,550	12,550
Building licence agreement	–	–	34,574	34,574
Investment property and Development property	–	–	2,068,913	2,068,913
Joint venture	–	–	367,019	367,019
	–	**–**	**2,483,056**	**2,483,056**

	2018			
Assets	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Collective investment schemes	–	–	15,275	15,275
Building licence agreement	–	–	41,678	41,678
Investment property and Development property	–	–	1,939,467	1,939,467
Joint venture	–	–	374,032	374,032
	–	**–**	**2,370,452**	**2,370,452**

Fair value measurement

The fair values of financial assets and liabilities are not materially different from their carrying values in the financial statements.
The fair value hierarchy levels are as follows:
Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities;
Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 – inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Investment property – Level 3

Fair value is based on valuations provided by an independent firm of chartered surveyors and registered appraisers. These values were determined after having taken into consideration recent market transactions for similar properties in similar locations to the investment properties held by the Trust. The fair value hierarchy of investment property is Level 3.

Increases (decreases) in the ERV (per sq m p.a.) and rental growth p.a. in isolation would result in a higher (lower) fair value measurement. Increases (decreases) in the long-term vacancy rate and discount rate (and exit or yield) in isolation would result in a lower (higher) fair value measurement.

Collective investment schemes and joint ventures – Level 3

The inputs for the values of the assets are not based on observable market data and are estimated using valuation techniques. These techniques rely on the underlying property valuations received from the independent valuers and the asset managers of the underlying funds. The fair value hierarchy of property-related investments is Level 3.

Notes to the Financial Statements continued

20. Fair value hierarchy continued

Building licence agreement – Level 3

The agreement is a development and disposal agreement with BDW Trading Limited dated 1 October 2015. As part of the agreement Hackbridge sold land to the Company in order to facilitate the redevelopment of the land in exchange for annual payments which will be received until 2023. Fair value is based on valuations provided by the pricing risk department within Schroders, and approved by the Real Estate Local Pricing Committee. These values were determined after having taken into consideration the future value of capital and the interest rate and credit risk associated with the building licence. The fair value hierarchy of investment property is Level 3.

21. Portfolio transaction costs

£'000	2019 Purchases	Stamp duty	%	Legal fees	%	Agents' fees	%	Other fees	%	Total costs	%
Direct property	–	–	–	–	–	–	–	–	–	–	–
Property holding vehicles	–	–	–	–	–	–	–	–	–	–	–
Collective investment schemes	–	–	–	–	–	–	–	–	–	–	–
Joint ventures	–	–	–	–	–	–	–	–	–	–	–
Total	**–**	**–**		**–**		**–**		**–**		**–**	
Total including transaction costs	**–**										

£'000	2019 Sales	Legal fees	%	Agents' fees	%	Other fees	%	Total costs	%
Direct property	–	–	–	–	–	–	–	–	–
Property holding vehicles	–	–	–	–	–	–	–	–	–
Collective investment schemes	–	–	–	–	–	–	–	–	–
Subsidiary	12,960	34	0.26	130	1.00	–	–	164	1.26
Joint ventures	–	–	–	–	–	–	–	–	–
Total	**12,960**	**34**		**130**		**–**		**164**	
Total including transaction costs	**12,796**								

£'000	2018 Purchases	Stamp duty	%	Legal fees	%	Agents' fees	%	Other fees	%	Total costs	%
Direct property	–	–	–	–	–	–	–	–	–	–	–
Property holding vehicles	–	–	–	–	–	–	–	–	–	–	–
Collective investment schemes	76,040	273	0.28	–	–	250	0.26	–	–	523	0.54
Joint ventures	20,042	–	–	–	–	–	–	–	–	–	–
Total	**96,082**	**273**		**–**		**250**		**–**		**523**	
Total including transaction costs	**96,605**										

21. Portfolio transaction costs continued

£'000	2018 Sales	Legal fees	%	Agents' fees	%	Other fees	%	Total costs	%
Direct property	29,875	104	0.31	264	0.79	–	–	368	1.1
Property holding vehicles	–	–	–	–	–	–	–	–	–
Collective investment schemes	–	–	–	–	–	–	–	–	–
Joint ventures	3,750	9	0.03	17	0.05	–	–	26	0.08
Total	**33,625**	**113**		**281**		**–**		**394**	
Total including transaction costs	**33,231**								

Total direct transaction costs as a percentage of the Fund's NAV is as follows:

Consolidated year ended 31 March 2019	0.006%
Schroder UK Real Estate Fund year ended 31 March 2019	0.000%
Consolidated year ended 31 March 2018	0.036%
Schroder UK Real Estate Fund year ended 31 March 2018	0.015%

No transaction costs were incurred on purchases or sales of collective investment schemes and joint ventures.

As at the balance sheet date the average portfolio dealing spread was 5.50% (2018: 5.36%).

22. Units in issue reconciliation

	Number of units in issue at 31 March 2018	Number of units issued	Number of units redeemed	Number of units converted	**Number of units in issue at 31 March 2019**
Schroder UK Real Estate Fund gross units	49,366,382.30	424,904.05	–	202,578.01	49,993,864.36
Schroder UK Real Estate Fund net units	4,596,175.49	18,992.62	–	(202,578.01)	4,412,590.10

Distribution Table

Monthly distributions payable for the year ended 31 March 2019 in pence per unit. There were two share classes at 31 March 2019, a gross share class and a net share class.

	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18
Gross income shares						
Gross revenue	11.191560	11.094766	11.782613	11.086059	12.083412	12.092610
Income tax	–	–	–	–	-	–
Net revenue	11.191560	11.094766	11.782613	11.086059	12.083412	12.092610
Final distribution payable	11.191560	11.094766	11.782613	11.086059	12.083412	12.092610

	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19
Gross income shares						
Gross revenue	12.104583	11.954540	12.534585	12.701197	11.914273	11.461951
Income tax	–	–	–	–	–	–
Net revenue	12.104583	11.954540	12.534585	12.701197	11.914273	11.461951
Final distribution payable	12.104583	11.954540	12.534585	12.701197	11.914273	11.461951

	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18
Net income shares						
Gross revenue	11.191560	11.094766	11.782613	11.086059	12.083412	12.092610
Income tax	(1.891409)	(1.780726)	(1.930546)	(1.744655)	(1.863765)	(2.004927)
Net revenue	9.300151	9.314040	9.852067	9.341404	10.219647	10.087683
Final distribution payable	9.300151	9.314040	9.852067	9.341404	10.219647	10.087683

	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19
Net income shares						
Gross revenue	12.104583	11.954540	12.534585	12.701197	11.914273	11.461951
Income tax	(1.873929)	(1.787035)	(1.968283)	(1.917957)	(2.382855)	(1.646861)
Net revenue	10.230654	10.167505	10.566302	10.783240	9.531418	9.815090
Final distribution payable	10.230654	10.167505	10.566302	10.783240	9.531418	9.815090

Monthly distributions payable for the year ended 31 March 2018 in pence per unit. There were two share classes at 31 March 2018, a gross share class and a net share class.

	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17
Gross income shares						
Gross revenue	13.410273	13.218948	11.776852	12.297478	13.372874	12.641683
Income tax	–	–	–	–	–	–
Net revenue	13.410273	13.218948	11.776852	12.297478	13.372874	12.641683
Final distribution payable	13.410273	13.218948	11.776852	12.297478	13.372874	12.641683

	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18
Gross income shares						
Gross revenue	12.454654	12.174686	12.669650	12.370625	12.363660	11.370314
Income tax	–	–	–	–	–	–
Net revenue	12.454654	12.174686	12.669650	12.370625	12.363660	11.370314
Final distribution payable	12.454654	12.174686	12.669650	12.370625	12.363660	11.370314

	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17
Net income shares						
Gross revenue	13.410273	13.218948	11.776852	12.297478	13.372874	12.641683
Income tax	(2.682055)	(2.044430)	(1.703704)	(1.779038)	(1.997144)	(2.004129)
Net revenue	10.728218	11.174518	10.073148	10.518441	11.375731	10.637553
Final distribution payable	10.728218	11.174518	10.073148	10.518441	11.375731	10.637553

	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18
Net income shares						
Gross revenue	12.454654	12.174686	12.669650	12.370625	12.363660	11.370314
Income tax	(1.968141)	(1.868956)	(2.249093)	(2.119636)	(2.210818)	(1.223780)
Net revenue	10.486513	10.305730	10.420558	10.250990	10.152842	10.146534
Final distribution payable	10.486513	10.305730	10.420558	10.250990	10.152842	10.146534

Unaudited Environmental Data Report

Sustainability performance measures

SREF reports sustainability information in accordance with INREV Reporting Guidelines 2016 for the 12 months, 1st April 2018 – 31st March 2019, presented with comparison against the previous 12 months. As permitted by the INREV Sustainability Reporting Guidelines, environmental data has been developed and presented in line with the Global Real Estate Sustainability Benchmark (GRESB).

The reporting boundary has been scoped to where SREF has operational control: managed properties where SREF is responsible for payment of utility invoices and / or arrangement of waste disposal contracts. 'Operational control' has been selected as the reporting boundary (as opposed to 'financial control' or 'equity share') as this reflects the portion of the portfolio where the Fund can influence operational procedures and, ultimately, sustainability performance. The operational control approach is the most commonly applied within the industry. For certain assets, 'operational control' is entirely passed to the tenant (e.g. FRI leases) and as a result are not captured in this reporting boundary. However, such assets (or units therein) will be captured in this reporting boundary where there is a period of vacancy and as a result where operational control is returned to the landlord for a short time.

In 2017/18 there were 37 such managed properties within the portfolio. In 2018/19, this decreased to 36 managed assets, reflecting the fact that one industrial asset reported landlord control of energy consumption in void areas in 2017/18 but did not report any landlord-controlled energy consumption in 2018/19.

All managed assets are included within the below data for 2018/19.

Where data coverage is less than 100%, a supporting explanation is provided within the data notes immediately below the relevant table. Energy and water consumption data is reported according to automatic meter reads, manual meter reads or invoice estimates. Where required, missing consumption data has been estimated by pro-rating data from other periods using recognised techniques. Historic consumption data has been restated where more complete and/or accurate records have become available.

This report has been prepared by EVORA Global, retained sustainability and energy management consultants to Schroder Real Estate Investment Management.

Total energy consumption

The table below sets out total landlord-obtained energy consumption from the Company's managed portfolio by sector.

	Total electricity consumption (kWh)		Total fuel consumption (kWh)	
Sector	2017/18	**2018/19**	2017/18	**2018/19**
Offices	12,136,598	11,282,762	8,060,073	6,700,373
Coverage	13/13	13/13	10/10	10/10
Retail, High Street	71,792	70,864		
Coverage	3/3	3/3		
Retail, Shopping Centre	1,482,677	1,906,035	49,536	170,008
Coverage	4/4	4/4	2/2	2/2
Retail, Warehouse	440,597	382,834	129,159	136,641
Coverage	5/5	5/5	1/1	1/1
Industrial, Business Parks	724,344	559,859	191,483	353,246
Coverage	3/3	3/3	2/2	2/2
Industrial, Distribution Warehouse	2,592,311	2,241,886	32,569	52,048
Coverage	4/4	3/3	1/1	1/1
Leisure	331,352	321,822	899,931	743,024
Coverage	2/2	2/2	2/2	1/1
Mixed use	5,259,801	5,137,658		
Coverage	2/2	2/2		
Total	**23,039,472**	**21,903,719**	**9,362,750**	**8,155,340**
Coverage	**36/36**	**35/35**	**18/18**	**17/17**
Total electricity and fuel	**32,402,222**	**30,059,059**		
Coverage	**37/37**	**36/36**		
Renewable electricity %	**93%**	**93%**		
Coverage	**37/37**	**36/36**		

- Consumption data relates to the managed portfolio only:
  - Offices: Whole building, tenant voids and/or exterior areas
  - Retail, High Street: Tenant voids and/or exterior areas
  - Retail, Shopping Centre: Common areas, tenant voids and/or exterior areas
  - Retail, Warehouse: Common areas, tenant voids and/or exterior areas
  - Industrial, Business Parks: Tenant voids and/or exterior areas
  - Industrial, Distribution Warehouse: Whole building, common areas, tenant voids and/or exterior areas
  - Leisure: Common areas, shared services, tenant voids and/or external areas
  - Mixed use: Whole building and/or common areas
  - Energy procured directly by tenants is not reported.
- Where appropriate (for relevant assets), consumption data has been adjusted to reflect the Company's share of asset ownership.
- Coverage relates to the number of managed assets for which data is reported.
- Renewable electricity (%) is calculated according to the attributes of electricity supply contracts as at 31 March 2019 and only reflects renewable electricity procured under a 100% 'green tariff' (i.e. where generation is from 100% renewable sources). The renewables percentage of standard (non-'green tariff') electricity supplies are not currently known and therefore has not been included within this number. As far as we know, no renewable fuel was consumed during the reporting period and therefore a percentage renewable fuel figure is not presented here.
- All energy was procured from a third-party supplier. No 'self-generated' renewable energy was consumed during the reporting period and is therefore not presented here.

Like-for-like energy consumption
The table below sets out the like-for-like landlord-obtained energy consumption from the Company's managed portfolio by sector.

	Total electricity (kWh)			Total fuels (kWh)			Energy intensity (kWh/m²)	
Sector	2017/18	**2018/19**	Change	2017/18	**2018/19**	Change	2017/18	**2018/19**
Offices	8,034,320	7,625,221	(5%)	4,826,176	4,786,066	(1%)	315	304
Coverage	4/4	4/4			4/4		4/4	4/4
Retail, High Street	63,560	57,502	(10%)				161	146
Coverage	1/1	1/1					1/1	1/1
Retail, Warehouse	440,597	382,834	(13%)	129,159	136,641	6%	110	101
Coverage	5/5	5/5			1/1		4/4	4/4
Industrial, Distribution Warehouse	2,368,584	2,238,376	(5%)	32,569	52,048	60%	4.0	4.1
Coverage	2/2	2/2			1/1		2/2	2/2
Leisure	256,004	255,067	–	870,837	743,024	(15%)	60.05	60.01
Coverage	1/1	1/1			1/1		1/1	1/1
Mixed use	5,259,801	5,137,658					156	152
Coverage	2/2	2/2					2/2	2/2
Total	**16,422,866**	**15,696,659**	**(4%)**	**5,826,172**	**5,665,730**	**(3%)**		
Coverage	**15/15**	**15/15**		**6/6**	**6/6**			
Total electricity and fuel	**22,249,038**	**21,362,389**	**(4%)**					
Coverage	**16/16**	**16/16**						

- Like-for-like excludes assets that were purchased, sold or under refurbishment during the two years reported.
- Consumption data relates to the managed portfolio only:
  - Offices: Whole building only
  - Retail, High Street: Exterior areas only
  - Retail, Warehouse: Common areas, tenant voids and/or exterior areas
  - Industrial, Distribution Warehouse: Whole building, common areas and/or exterior areas
  - Leisure: Common areas, tenant voids and/or external areas
  - Mixed use: Whole building and/or common areas
  - Energy procured directly by tenants is not reported
  - There is no like-for-like energy consumption for Retail, Shopping Centres and Industrial, Business Parks.
- Where appropriate (for relevant assets), consumption data has been adjusted to reflect the Company's share of ownership.
- Coverage relates to the number of managed assets for which data is reported.
- Intensity: An energy intensity kWh/m² is reported for assets within the like-for-like portfolio. For Offices and mixed use the numerator is landlord-managed energy consumption and the denominator is net lettable floor area (m²). For Leisure/Retail, Shopping Centres, common parts energy consumption is divided by common parts area (m²). For Retail, Warehouse, Industrial, Distribution Warehouse and Retail, High Street exterior parts energy consumption is divided by the number of car parking spaces.
- As common parts area is not typically measured and therefore known, where required we have taken the known net lettable area and applied an internal benchmark: 25% common part area for unenclosed centres and 35% for enclosed centres.

Unaudited Environmental Data Report continued

Greenhouse gas emissions
The table below sets out the Company's greenhouse gas emissions by sector.

	Absolute emissions (tCO_2e)		Like-for-like emissions (tCO_2e)			Intensity (kg CO_2e/m^2)	
Sector	2017/18	**2018/19**	2017/18	**2018/19**	Change	2017/18	**2018/19**
Offices						91	74
Scope 1	1,483	1,233	888	880	(1%)		
Scope 2	4,267	3,194	2,825	2,158	(24%)		
Coverage	13/13	13/13	4/4	4/4		4/4	4/4
Retail, High Street							
Scope 1	–	–	–	–			
Scope 2	25	20	22	16	(27%)	57	41
Coverage	3/3	3/3	1/1	1/1		1/1	1/1
Retail, Shopping Centre							
Scope 1	9	31					
Scope 2	521	540					
Coverage	4/4	4/4					
Retail, Warehouse							
Scope 1	24	25	24	25	6%	39	29
Scope 2	155	108	155	108	(30%)		
Coverage	5/5	5/5	5/5	5/5		4/4	4/4
Industrial, Business Parks							
Scope 1	35	65					
Scope 2	255	158					
Coverage	3/3	3/3					
Industrial, Distribution Warehouse							
Scope 1	6	10				1.4	1.2
Scope 2	911	635	833	634	(24%)		
Coverage	4/4	3/3	2/2				2/2
Leisure							
Scope 1	166	137	160	137	(15%)	21	17
Scope 2	116	91	90	72	(20%)		
Coverage	3/3	3/3	2/2	2/2		1/1	1/1
Mixed use							
Scope 1	–	–	–	–		55	43
Scope 2	1,849	1,454	1,849	1,454	(21%)		
Coverage	2/2	2/2	2/2	2/2		2/2	2/2
Total							
Scope 1	**1,722**	**1,500**	**1,072**	**1,042**	**(3%)**		
Scope 2	**8,100**	**6,200**	**5,774**	**4,443**	**(23%)**		
Scope 1 & 2	**9,822**	**7,701**	**6,845**	**5,486**	**(20%)**		
Coverage	**37/37**	**36/36**		**16/16**			

- Like-for-like excludes assets that were purchased, sold or under refurbishment during the two years reported.
- The Company's greenhouse gas (GHG) inventory has been developed as follows:
  - Fuels/electricity GHG emissions factors taken from the UK government's Greenhouse Gas Reporting Factors for Company Reporting (2017 and 2018)
  - GHG emissions from electricity (Scope 2) are reported according to the 'location-based' approach
  - GHG emissions are presented as tonnes of carbon dioxide equivalent (tCO_2e). GHG intensity is presented as kilograms of carbon dioxide equivalent (kg CO_2e), where possible.
- Emissions data relates to the managed portfolio only:
  - Offices: Whole building, tenant voids and/or exterior areas
  - Retail, High Street: Tenant voids and/or exterior areas
  - Retail, Shopping Centre: Common areas, tenant voids and/or exterior areas
  - Retail, Warehouse: Common areas, tenant voids and/or exterior areas
  - Industrial, Business Parks: Tenant voids and/or exterior areas
  - Industrial, Distribution Warehouse: Whole building, common areas, tenant voids and/or exterior areas
  - Leisure: Common areas, shared services, tenant voids and/or external areas
  - Mixed use: Whole building and/or common areas
  - Emissions associated with energy procured directly by tenants is not reported.
- Where appropriate (for relevant assets), emissions data has been adjusted to reflect the Company's share of asset ownership.
- Coverage relates to the number of managed assets for which data is reported.
- Intensity: An intensity kg CO_2e/m^2 is reported for assets within the like-for-like portfolio. The numerator is landlord-managed GHG emissions from energy consumption and the denominator is net lettable floor area (m^2). For Leisure and Retail, Shopping Centres, GHG emissions from common parts energy consumption is divided by common parts area (m^2). For Retail, Warehouse, Industrial, Distribution Warehouse and Retail, High Street GHG emissions from external area energy consumption is divided by the number of car parking spaces. As common parts area is not typically measured and therefore known, where required we have taken the known net lettable area and applied an internal benchmark: 25% common part area for unenclosed centres and 35% for enclosed centres.

Unaudited Environmental Data Report continued

Water
The table below sets out water consumption for assets managed by the Company.

	Absolute water consumption (m^3)		Like-for-like water consumption (m^3)			Intensity (m^3/m^2)	
Sector	2017/18	**2018/19**	2017/18	**2018/19**	Change	2017/18	**2018/19**
Offices	61,737	58,003	43,623	44,886	3%	1.07	1.10
Coverage	11/11	11/11	4/4	4/4		4/4	4/4
Retail, Shopping Centre	9,670	8,279					
Coverage	2/2	2/2					
Retail, Warehouse	3,139	3,510	3,139	3,510	12%	0.33	0.37
Coverage	1/1	1/1	1/1	1/1		1/1	1/1
Industrial, Business Parks	1,506	1,249					
Coverage	2/2	2/2					
Industrial, Distribution Warehouse	5,004	4,976	5,004	4,976	(1%)	0.18	0.18
Coverage	1/1	1/1	1/1	1/1		1/1	1/1
Leisure	13,843	12,923	11,225	9,967	(11%)	0.38	0.43
Coverage	3/3	3/3	2/2	2/2		1/1	1/1
Mixed use	14,885	13,706	14,885	13,706	(8%)	0.39	0.38
Coverage	2/2	2/2	2/2	2/2		1/1	1/1
Total	**109,782**	**102,646**	**77,875**	**77,045**	**(1%)**		
Coverage	**22/22**	**22/22**	**10/10**	**10/10**			

- Like-for-like excludes assets that were purchased, sold or under refurbishment during the two years reported.
- All consumption data relates to the managed portfolio only:
  - Offices and Mixed use: Whole building, tenant spaces and/or exterior areas
  - Retail, Shopping Centre: Whole building, common areas and/or tenant space
  - Retail, Warehouse/Shopping Centre: Common areas only
  - Industrial, Business Parks: Exterior areas and/or tenant voids
  - Industrial, Distribution Warehouse: Tenant voids only
  - Leisure: Whole building, common areas and/or tenant space
  - Mixed use: Whole building and/or tenant space
  - There is no landlord responsible for water in Retail, High Street
  - Water procured directly by tenants is not reported.
- Where appropriate (for relevant assets), consumption data has been adjusted to reflect the Company's share of ownership.
- Coverage relates to the number of managed assets for which data is reported.
- Intensity: An intensity m^3/m^2 is reported for assets within the like-for-like portfolio. The numerator is landlord-managed water consumption and the denominator is net lettable floor area (m^2). For Leisure and Retail, Warehouse, common parts water consumption is divided by common parts area (m^2). As common parts area is not typically measured and therefore known, where required we have taken the known net lettable area and applied an internal benchmark: 25% common part area for unenclosed centres and 35% for enclosed centres.
- All water was procured from a municipal supply. As far as we are aware, no surface, ground or rainwater was consumed during the reporting period and therefore is not presented here.

Waste
The table below sets out waste managed by the Company by reported disposal route and sector.

		Absolute tonnes				Like-for-like tonnes				
		2017/18		**2018/19**		2017/18		**2018/19**		
		Tonnes	%	**Tonnes**	**%**	Tonnes	%	**Tonnes**	**%**	% change
Offices	Recycled	381	50%	295	48%	347	51%	281	49%	(19%)
	Incineration with energy recovery	377	50%	321	52%	332	49%	289	51%	(13%)
	Landfill	–	–	–	–	–	–	–	–	–
	Total	**757**		**615**		**679**		**570**		**(16%)**
	Coverage	7/7		6/6		5/5		5/5		
Retail, Shopping Centre	Recycled	127	41%	162	30%					
	Incineration with energy recovery	184	59%	374	70%					
	Landfill	–	–	–	–					
	Total	**311**		**535**						
	Coverage	3/3		3/3						
Retail, Warehouse	Recycled	79	29%	134	47%	79	29%	134	47%	69%
	Incineration with energy recovery	198	71%	152	53%	198	71%	152	53%	(23%)
	Landfill	–	–	–	–	–	–		–	–
	Total	**278**		**287**		**278**		**287**		**3%**
	Coverage	2/2		2/2		2/2		2/2		
Industrial, Business Parks	Recycled	3	2%	2	1%	3	2%	2	1%	(33%)
	Incineration with energy recovery	146	98%	166	99%	146	98%	166	99%	14%
	Landfill	–	–	–	–	–	–	–	–	–
	Total	**149**		**168**		**149**		**168**		**13%**
	Coverage	1/1		1/1		1/1		1/1		
Industrial, Distribution Warehouse	Recycled	–	–	–	–	–	–	–	–	–
	Incineration with energy recovery	7	100%	7	100%	7	100%	7	100%	–
	Landfill	–	–	–	–	–	–	–	–	–
	Total	**7**		**7**		**7**		**7**		**–**
	Coverage	1/1		1/1		1/1		1/1		
Leisure	Recycled	332	35%	323	37%	324	36%	323	37%	–
	Incineration with energy recovery	606	65%	559	63%	572	64%	559	63%	(2%)
	Landfill	–	–	–	–	–	–	–	–	–
	Total	**938**		**882**		**896**		**882**		**(2%)**
	Coverage	2/2		1/1		1/1		1/1		

Unaudited Environmental Data Report continued

Waste continued

		Absolute tonnes				Like-for-like tonnes				
		2017/18		**2018/19**		2017/18		**2018/19**		
		Tonnes	%	**Tonnes**	**%**	Tonnes	%	**Tonnes**	**%**	% change
Mixed Use	Recycled	279	69%	189	54%	279	69%	189	54%	(32%)
	Incineration with energy recovery	126	31%	159	46%	126	31%	159	46%	26%
	Landfill	–	–	–	–	–	–	–	–	–
	Total	**405**		**349**		**405**		**349**		**(14%)**
	Coverage	2/2		2/2		2/2		2/2		
Total	Recycled	1,202	42%	1,105	39%	1,033	43%	930	41%	(10%)
	Incineration with energy recovery	1,643	58%	1,738	61%	1,381	57%	1,333	59%	(4%)
	Landfill	–	–	–	–	–	–	–	–	–
	Total	**2,845**		**2,843**		**2,414**		**2,262**		**(6%)**
	Coverage	**18/18**		**16/16**		**12/12**		**12/12**		

- Whilst zero waste is sent direct to landfill, a residual component of the 'recycled' and 'incineration with energy recovery' waste streams may end up in landfill.
- Like-for-like excludes assets that were purchased, sold or under refurbishment during the two years reported.
- Waste data relates to the managed portfolio only.
- Waste management procured directly by tenants is not reported.
- The Company has no waste management responsibilities for Retail, High Street.
- Where appropriate (for relevant assets), waste data has been adjusted to reflect the Company's share of asset ownership.
- Coverage relates to the number of managed assets for which data is reported.
- Reported data relates to non-hazardous waste only. Hazardous waste is not reported as due to the low volumes produced it is not considered material. Furthermore, robust tonnage data on the small quantities that are produced is not available.

Sustainability certification: Green building certificates

Rating	Portfolio by floor area (%)
BREEAM New Construction	4.2%
BREEAM In Use	1.1%
Fitwel for Workplace: Multi-Tenant Whole Building	0.5%
BREEAM Fit Out/Refurbishment	0.2%
Coverage	**100%**

- Green building certificate records for the Company are provided as at 31 March 2019 by portfolio floor area.
- Data provided includes managed and non-managed assets (i.e. the whole portfolio).
- Where appropriate (for relevant assets), floor area coverage data has been adjusted to reflect the Company's share of ownership.

Sustainability certification: Energy Performance Certificates

Energy Performance Certificate rating	Portfolio by floor area (%)
A	2.7%
B	12.5%
C	28.5%
D	18.5%
E	7.5%
F	1.4%
G	1.4%
Exempt	11.0%
No EPC	16.5%
Coverage	**100%**

- Energy Performance Certificate (EPC) records for the Company are provided as at 31 March 2019 by portfolio floor area.
- Data provided includes managed and non-managed assets (i.e. the whole portfolio).
- Where appropriate (for relevant assets), floor area coverage data has been adjusted to reflect the Company's share of asset ownership.
- The information on EPCs is continuously reviewed and updated.
- EPCs are known for 84% of the portfolio by floor area. In general terms, since the introduction of the EPC Regulations in 2008, EPCs are required for the letting of units or buildings or the sale of buildings. In addition, the UK Minimum Energy Efficiency Standards regulations (MEES) came into force for commercial buildings on 1 April 2018 and require a minimum EPC rating of E for new lettings; the rules apply to all leases from 1 April 2023. The EPCs for the portfolio will be managed to ensure compliance with the MEES regulations.

Unaudited General Information

Net share class

Change in net assets per unit	**2019**	2018	2017
Opening net asset value per unit	£46.61	£43.45	£42.26
Return before operating charges*	£2.88	£5.06	£2.94
Operating charges	(£0.36)	(£0.40)	(£0.34)
Return after operating charges*	£2.52	£4.66	£2.60
Distribution on income units	(£1.42)	(£1.50)	(£1.41)
Closing net asset value per unit	£47.71	£46.61	£43.45
* after direct transaction costs of	£0.00	£0.02	£0.02
Performance			
Return after charges	5.5%	10.9%	6.3%
Other information			
Closing net asset value	£210,537,028	£214,229,615	£202,767,150
Closing number of units	4,412,590.10	4,596,175.49	4,667,133.82
Operating charges	0.75%	0.86%	0.77%
Direct transaction costs	0.01%	0.04%	0.04%
Prices			
Highest unit price	£47.84	£46.61	£43.45
Lowest unit price	£46.67	£43.47	£42.01

Gross share class

Change in net assets per unit	**2019**	2018	2017
Opening net asset value per unit	£46.61	£43.45	£42.26
Return before operating charges*	£2.88	£5.06	£2.94
Operating charges	(£0.36)	(£0.40)	(£0.34)
Return after operating charges*	£2.52	£4.66	£2.60
Distribution on income units	(£1.42)	(£1.50)	(£1.41)
Closing net asset value per unit	£47.71	£46.61	£43.45
* after direct transaction costs of	£0.00	£0.02	£0.02
Performance			
Return after charges	5.5%	10.9%	6.3%
Other information			
Closing net asset value	£2,385,058,505	£2,301,005,674	£2,117,650,777
Closing number of units	49,993,864.36	49,366,382.30	48,736,612.23
Operating charges	0.75%	0.86%	0.77%
Direct transaction costs	0.01%	0.04%	0.04%
Prices			
Highest unit price	£47.84	£46.61	£43.45
Lowest unit price	£46.67	£43.47	£42.01

Portfolio profile
For the years to 31 March 2019, 31 March 2018 and 31 March 2017, the Fund had two share classes: net and gross. These classes have price parity and the summary information in the table below applies to both class of shares.

	As at/for the year to 31 March 2019	As at/for the year to 31 March 2018	As at/for the year to 31 March 2017
Financial information			
Gross asset value (GAV)	£2,608.5m	£2,520.6m	£2,326.7m
Net asset value (NAV)	£2,595.6m	£2,515.2m	£2,320.4m
NAV per share	£47.71	£46.61	£43.45
Number of shares in issue	54,406,454.00	53,962,558.00	53,403,746.05
Gross annual distribution per share	£1.41898	£1.50481	£1.41030
Distribution yield (gross share class)	3.00%	3.20%	3.20%
Total NAV of scheme property	£2,500.3m	£2,381.3m	£2,134.8m
Highest price per share in the year	£47.84	£46.61	£43.45
Lowest price per share in the year	£46.67	£43.47	£42.01
Portfolio details			
Gearing (% NAV)	0.30%	0.30%	0.40%
Average unexpired lease length to first break	8.5 years	8.1 years	8.0 years
Average unexpired lease length	9.8 years	9.1 years	8.9 years
Void rate	7.90%	7.10%	6.20%
Benchmark – void rate	8.00%	7.10%	7.10%
Net initial yield	4.60%	4.60%	4.60%
Reversionary yield	5.50%	5.70%	6.10%
Portfolio turnover ratio	1.10%	1.50%	7.10%
Performance			
Annual total return	5.50%	10.90%	6.30%
Benchmark total return	4.80%	10.00%	3.70%
Total expense ratio	0.84%	0.86%	0.84%
Liquidity			
Annual number of shares subscribed for	443,897	558,812	673,298
Annual value of subscriptions	£21.9m	£26.0m	£29.7m
Annual number of shares redeemed	–	–	–
Annual value of shares redeemed	–	–	–
Annual number of shares matched on the secondary market	2,399,741	1,950,179	3,239,837

Unaudited General Information continued

Schroder UK Real Estate Fund (the 'Fund') is an investment company with variable capital incorporated in England and Wales under registered number IC000945 and authorised by the FCA with effect from 31 July 2012. The Fund has an unlimited duration. Shareholders are not liable for the debts of the Fund.

Accordingly, the information in this document is directed at eligible counterparties, authorised persons, professional clients, existing investors in the Fund and clients and newly accepted clients of other firms within the Schroder Group, where appropriate steps have been taken to ensure that investment in the Fund is suitable, where necessary. This material should not be relied upon by persons of any other description. In any case, a recipient who is in any doubt about investment in the Fund should consult an authorised person who specialises in investments of this nature.

The Fund's past performance is not a guide to the future.

Liquidity

The Fund invests in real estate, the value of which is generally a matter of a valuer's opinion. There is no recognised market for shares in the Fund and an investment is not readily realisable. It may be difficult to trade in the shares or to sell them at a reasonable price. The price of shares and the income from them may fluctuate upwards or downwards and cannot be guaranteed.

Purchase of shares

Shares can be purchased in the Fund through the primary or secondary market. Depending on the type of investor, the purchase of shares will be through either the Schroder UK Real Estate Fund or the Schroder UK Real Estate Fund Feeder Trust. Corporate bodies (excluding nominees acquiring shares) may only invest in the Schroder UK Real Estate Fund indirectly through the Feeder Fund. Shares in the Schroder UK Real Estate Fund can be transferred between corporate and non-corporate bodies through the Feeder Fund on the secondary market.

The Dealing Day for subscription for shares is the first business day of each month. Application forms, top-up forms and cleared funds must be received by the Registrar before the cut-off point for subscriptions.

Forms received after this time will be carried forward to the following dealing day for subscription. Applicants may amend or withdraw an application form or a top-up form at any time up until the cut-off point for subscriptions. Thereafter, applicants have no right to amend or withdraw their application. Settlement is due by midday on the business day before the relevant dealing day for subscription.

Applicants are required to transfer funds via CHAPS or another form of electronic payment unless the Registrar agrees to an alternative method of payment. The Investment Manager has the power to limit the creation of new shares having regard to the amount of unallocated cash being held in the Fund from time to time.

Details of the investors' waiting list is to be found in the SREF prospectus in section 2.1 and has been summarised below:

Applicants may be placed on a waiting list prior to the issue of shares. The ACD may elect to limit the number of shares issued on any dealing day for subscription, and if so, shares will be allocated to valid applicants pro rata to the number of shares applied for. Where applicants do not receive shares to satisfy their full application, the unallocated application will be carried forward to the next dealing day for subscription at which shares are issued.

Where the issue of shares is limited at any dealing day for subscriptions applicants may instruct the ACD to seek to arrange for the shortfall in the application to be met on the secondary market for such time until the next dealing day for subscription.

If the shortfall in shares applied for is not met on the secondary market, shares will be issued in line with the allocation made at the dealing day for subscription on which shares are issued, with orders carried over from previous dealing days taking priority.

Redemption of shares

Redemption forms must be received by the Registrar before the relevant cut-off point for redemptions, that is midday on the date falling three months prior to the business day before the relevant dealing day for redemption. Once a redemption form has been received, this can be settled either by cancelling shares or placing on the secondary market. Either way, redeeming shareholders will receive the prevailing bid price. Valid instructions will be processed by the Registrar at the bid price on the relevant dealing day for redemption (that falls three months after the relevant cut-off point for redemption), except in the case where dealing has been suspended as set out in section 2.21 of the Prospectus.

Where the ACD considers it to be in the best interests of the shareholders, the ACD may defer redemptions on a dealing day to any one or more of the subsequent eight dealing days for redemption i.e. the deferral period is a maximum of 24 months from the original dealing day for redemption. A redemption will be deferred within this timeline to a dealing day for redemption when the Fund has sufficient liquidity to enable it to meet the redemption, providing it is in the best interests of the shareholders to do so.

The ACD can, in extreme market circumstances, as set out within section 6.5 of the Prospectus, fair value any assets within the Fund to a realisable value.

The management of SREF's liquidity will at all times comply with the binding terms included in the Fund's prospectus and Instrument of Incorporation.

Secondary market

The ACD has appointed the Secondary Market Facilitator, (SMF) (Schroder Real Estate Investment Management Limited) to facilitate transfers of shares on the secondary market in accordance with the following:

- shareholders or potential investors wishing to buy shares on the secondary market should complete an application form (potential investors) or top-up form (existing shareholders), detailing their secondary market requirement in the investment details section;
- shareholders wishing to sell shares should complete a redemption form specifying they wish to sell via the secondary market. All completed forms should be provided to the SMF via the Registrar; and
- potential investors should also provide the Registrar with any documents required for anti-money laundering purposes. The forms are available from www.schroders.com/sref or from the Investment Manager.

The SMF will not charge a redeeming shareholder commission, but the redeeming shareholder will be responsible for costs in connection with the transfer of its shares such as the preparation and execution of relevant documentation and any taxation.

The SMF, at its discretion, has the right to charge the buyer commission at a rate of 0.20% applied to the net consideration, subject to a minimum of £50 for each and every trade. Where applicable, stamp duty reserve tax is payable by the buyer on the net consideration at the prevailing rate.

The SMF operates a share matching service between sellers and buyers of shares. A waiting list of sellers and buyers is kept and matching operated on the following basis:

a. First, price: Shares available from sellers seeking the lowest price per share will be offered to buyers by order of the date of receipt of the relevant form.
b. Secondly, notification date: Where there are multiple sellers looking to sell for any given price, preference will be given to sellers by order of the date of receipt of the relevant form.

Where there are multiple buyers looking to buy at the same price, for which relevant forms were received on the same date, matching will be allocated pro rata to the number of shares applied for. In all cases matching will be allocated subject to any minimum trade requirements stipulated by a party.

The SMF, when matching shares, may apply a minimum economic trade at its discretion, which is shares to the value of £50,000 or such other amount as the SMF determines from time to time.

The SMF will arrange the exchange of shares between sellers and buyers in the first 12 business days of every month. The SMF will contact the seller and buyer to obtain confirmation that the terms of the arrangement are acceptable before proceeding with the transaction.

The seller and buyer are required to confirm acceptance of the terms by return email within 24 hours.

Investors may wish to note that other matching services are provided by third party brokers. All trades are however subject to registration on the terms set out above.

		Value of units (£) traded
Year ended 31 March	2019	111,513,532
	2018	102,119,810
	2017	138,437,617
	2016	88,496,273
	2015	99,569,983
	2014	162,380,082
	2013	103,939,165
	2012	52,267,505
	2011	66,931,760
	2010	85,938,105
	2009	13,775,886

Distributions

The income of the Fund, after deduction of all expenses and liabilities (actual, estimated or contingent) of the Fund including any deductions in respect of taxes, is distributed to shareholders in proportion to the number of shares held by them. Distributions are calculated on a monthly basis, with the distributions paid to shareholders on the last working day of the following month.

During the period all distributions were paid gross of UK tax to investors in the gross share class and net of the applicable UK basic rate income tax to investors in the net share class.

The Prospectus does not provide the ability for either the ACD or Investment Manager to defer or suspend distributions.

Schroder UK Real Estate Fund Feeder Trust

The Schroder UK Real Estate Fund Feeder Trust is an umbrella unit Trust whose objective is to achieve a blend of income and capital growth by investing solely in the Schroder UK Real Estate Fund. Investors into the Feeder Trust receive monthly distributions. The Feeder Trust is subject to corporation tax on property and interest distributions it receives from the Schroder UK Real Estate Fund at the prevailing rate.

Management fees and other expenses

Details of fees and expenses incurred by the Fund are set out within Section 5 of the Fund Prospectus and further in notes 6 and 18 of the audited Annual Report and Financial Statements. In summary:

The annual management charge is 0.7% NAV per annum.

The annual management charge is allocated 50% to income and 50% to capital.

The Depositary receives 0.0224% per annum of the first £500 million of NAV and 0.0125% of the balance.

The Standing Independent Valuer will receive an initial fee of 0.03% of the first valuation of a property on purchase, capped at £20,000, and thereafter a fee of 0.03% of the valuation per annum.

The Registrar is paid a transaction-based fee subject to a minimum of £75,000 per annum.

The Investment Manager bears the cost of employing managing agents to collect rents and perform the usual property manager's duties as delegated by the Investment Manager.

Bid/offer spreads

As at 31 March 2019, the offer spread was set at a premium 3.89% premium to NAV. The bid spread was set at a premium 1.66% discount to NAV. Our key principles when setting bid and offer prices are to review prices regularly, to treat shareholders equitably and to adopt a consistent approach.

Unaudited General Information continued

Our assumption, when calculating the offer price, is that new money will be invested in line with strategy, principally into direct property at full purchase cost. An allowance is made for capital expenditure to maintain the existing portfolio. Capital expenditure may vary from time to time. The bid price assumes full sale costs are incurred on direct assets, while indirect assets are marked to market. Cash is priced at a zero spread.

Fees payable to the Manager

During the past year, Schroder Real Estate has been entitled to receive fees of £161,398 in relation to its role as Secondary Market Facilitator. Schroder Real Estate has an agreement with GFI Brokers Limited to share all fees earned on secondary market transfers facilitated by either party.

Units valued at £111.5 million were traded on the secondary market over the 12-month period. This represents 4.3% of the shares in issue at the end of the period under review.

Expense ratios (as defined by AREF Code of Practice) at March 2019

Fees and expenses	% NAV
(A) Fund Management Fees	0.70%
(B) Fund Operating Fees	0.13%
(C) Total Expense Ratio (A+B)	0.83%
(D) Property Expense Ratio	0.61%
(E) Real Estate Expense Ratio (C+D)	1.45%
(F) Transaction Costs	0.01%
(G) Performance Fees	N/A

Insurance and service charge rebates

The managing agents, as employed by the Investment Manager, receive service charge remuneration as part of their overall remuneration.

Insurance commission rebates (if any) are calculated on an annual basis and distributed to tenants and shareholders as applicable.

Valuation and pricing policy

A detailed explanation of our pricing methodology is contained within the Prospectus and further information is available upon request from the Investment Manager. The Fund Prospectus, along with the notes to the financial statements, sets out:

- the methodology used to value the properties and other investments of the Fund; and
- the valuation of direct properties having to be undertaken monthly.

It should further be noted that the Fund's investment in the Nuveen Real Estate UK Retail Warehouse Fund is held at a stale price one month in arrears on account of the receipt of the NAV of this investment being received after the valuation date of the Fund.

Co-investment

There are no express terms in the Fund's Prospectus concerning shareholders' rights over co-investments. However, the Manager's policy is to treat all investors fairly and, at its discretion, it may offer shareholders the opportunity to participate in co-investments.

Key persons

There are no named key individuals.

Preferential terms and fee rebates

The management fee is applied at the same rate to all shareholders and no rebates of this fee have been agreed with any investor.

Change of Depositary

From November 2018, the Fund's Depositary was changed from National Westminster Bank plc to NatWest Trustee & Depositary Services Limited.

New PAIF ownership limit on single corporate investors

Under the PAIF regime, tax penalties may be imposed if there is direct investment in SREF of 10% or more by any single corporate investor. In 2018 the Fund's Prospectus was amended to limit the maximum holding of a corporate investor in SREF to 9%. The use of a 'soft limit' is in line with market practice and should help ensure that the statutory 10% threshold is not breached. The FCA has also confirmed that this change will not affect SREF's authorisation. SREF's new Prospectus can be found on SREF's website (www.schroders.com/sref).

Capital gains tax

Royal Assent was granted for the Finance Act 2019 on 12 February 2019, confirming the introduction of capital gains tax for non-resident investors in UK real estate. This came into effect on 6 April 2019. We have reviewed the implications of the legislation and guidance, and do not expect the tax status or the structure of SREF to materially change, and there should be no material impact on capital returns or distributions whether in respect of property held directly or indirectly.

As SREF is considered a 'UK property rich' entity and a 'collective investment vehicle', the new Schedule 5AAA of the Taxation of Chargeable Gains Act 1992 provides that overseas investors in SREF, depending on their tax status, may be liable to capital gains tax (or corporation tax) upon disposal of their holding after 6 April 2019, based on gains accruing after that date. This will include a requirement for such investors to file tax returns and make payment. Investors who qualify as exempt (including overseas qualifying pension funds, charities and sovereign wealth funds) will benefit from full exemption. Please note that investors should seek their own tax advice on this matter.

US investors

In the first quarter of 2019, Schroders revised its US marketing strategy and decided to permit US investors to invest directly in SREF, instead of via a US Feeder Fund. The launch of a US Feeder Fund was notified to shareholders in 2018 and incorporated into a revised Fund Prospectus which was issued on 24 December 2018. The potential benefits for existing investors of permitting US investors into SREF include enhanced Fund liquidity and diversification of the investor base. Schroders may in the future launch a dedicated US Feeder Fund, but this will only be in response to a specific investor requirement and subject to any required notifications and approvals. A new Fund Prospectus will be issued during 2019 which confirms this further amendment. The latest Prospectus is available on the Fund's website, www.schroders.com/sref

Fund documentation

A copy of all Fund documentation including the Prospectus and regular reports is available at www.schroders.com/sref or available from the Investment Manager upon request.

A copy of Schroders AAF controls report which has been externally audited is available from the Investment Manager upon request.

Conflicts of interest

The Investment Manager is responsible for identifying all conflicts of interest and for referring such matters to Schroder Group Compliance or such other parties in accordance with the Group's conflict of interest policy.

Disaster recovery
Schroder Group has a disaster recovery plan which is audited, externally, on an annual basis as part of the AAF controls report.

AREF Code of Practice
The Fund is a member of the Association of Real Estate Funds (AREF). The aim of the Code of Practice is to achieve high standards of transparency across the unlisted sector and promote consistency of reporting to allow investors to compare different funds. The Fund completes the MSCI/AREF Pooled Property Questionnaire each quarter, which is made available to all investors and which forms the basis of its entry in MSCI/AREF Property Fund Vision handbook. SREF's page on the AREF website can be found at http://www.aref.org.uk/funds/schroder-uk-real-estate-fund

SREF has been awarded AREF's Corporate Governance Quality Mark recognising its high levels of transparency and corporate governance. The Mark is awarded to funds that are compliant with the AREF Code of Practice across three categories: fund governance, fund operation, and unit dealing and performance reporting. For more information please visit www.aref.org.uk

Fund codes
Gross share class
Bloomberg: SCEXPUT LN
ISIN: GB00B8215Z66
Sedol: B8215Z6

Net share class
ISIN: GB00B8FPXR30
Sedol: B8FPXR3

Prices for the Schroder UK Real Estate Fund can be obtained from http://www.schroders.com/sref

Additional information
The Fund may be suitable for professional investors who wish to hold a direct property portfolio but do not want to commit the considerable executive time and expertise necessary to organise and supervise such a portfolio and/or are not of a sufficient size to obtain a viable property portfolio with an appropriate spread of risk. The property in the Fund is professionally and actively managed by chartered surveyors employed by the Investment Manager, Schroder Real Estate Investment Management Limited.

We welcome the opportunity to meet shareholders, potential shareholders and their advisers to explain more fully the strategy and progress of the Fund. Please contact the Investment Manager who can also provide copies of the Prospectus, application forms and latest share prices, at the address below.

Schroder UK Real Estate Fund
Schroder Real Estate Investment Management Limited
1 London Wall Place
London EC2Y 5AU
Tel: +44 (0)20 7658 6000

Schroder Real Estate Investment Management Limited is authorised and regulated by the Financial Services Authority.

Unaudited General Information continued

Manager contacts
For general information and queries on secondary market availability, please contact:

Tom Dorey
Head of Real Estate Product
tom.dorey@schroders.com
+44 (0)20 7658 3020

Jessica Berney
Fund Manager
jessica.berney@schroders.com
+44 (0)20 7658 3728

For valuations, to place trades, tax reclaims, dividend/distribution information, please contact the Registrar:

Northern Trust Global Services SE
Schroder Unit Trusts Limited
Schroder UK Real Estate Fund
PO BOX 3733
Wootton Bassett
Swindon
SN4 4BG
Tel: +44 (0) 870 870 8059
Fax: +44 (0) 20 7643 3892
Email: schrodersenquiries@ntrs.com

Key Service Providers

Authorised Corporate Director
Schroder Unit Trusts Limited
1 London Wall Place
London
EC2Y 5AU

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

Schroder Unit Trusts Limited and Schroder Real Estate Investment Management are authorised and regulated by the FCA.

Registrar
Northern Trust Global Services SE
50 Bank Street
Canary Wharf
London
E14 5NT

Depositary
NatWest Trustee and Depositary Services Limited
250 Bishopsgate
London
EC2M 4AA

Standing Independent Valuers
BNP Paribas Real Estate UK
5 Aldermanbury Square
London
EC2V 7BP

Knight Frank LLP
55 Baker Street
London
W1U 8AN

Legal Adviser
Eversheds LLP
One Wood Street
London
EC2V 7WS

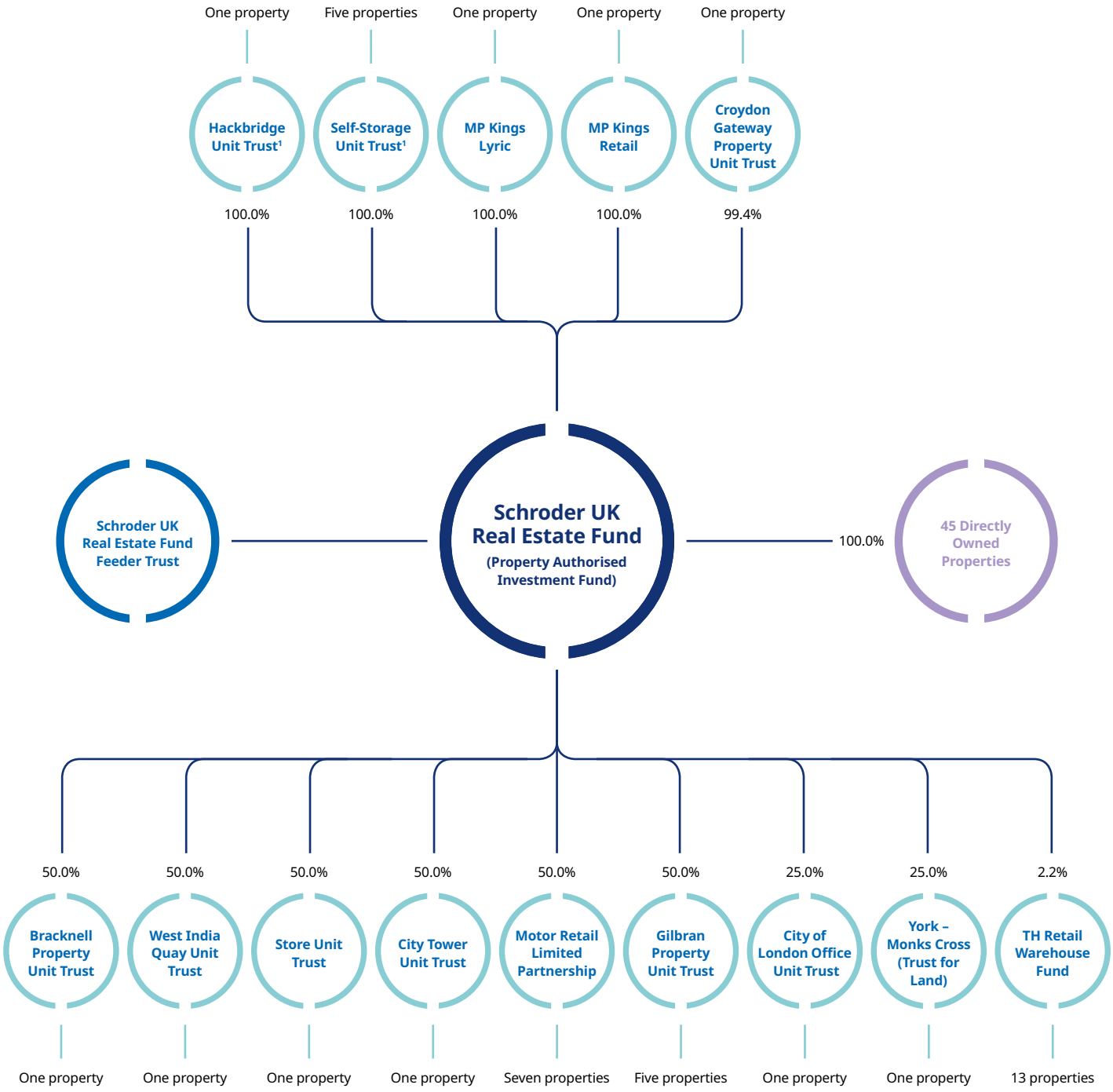
Independent Auditors
PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

Real Estate Managers
Jones Lang LaSalle
Austin House
St Crispins Road
Norwich
NR3 1YF

Knight Frank LLP
55 Baker Street
London
W1U 8AN

The terms of all appointments, including remuneration and termination provisions, can be made available upon request.

Fund Structure at 31 March 2019



1 Unit Trusts owned by two unitholders: SREF (99.0%) and British Overseas Nominees Limited, acting as SREF's nominee (1.0%).

Schroders

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schroders.com

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