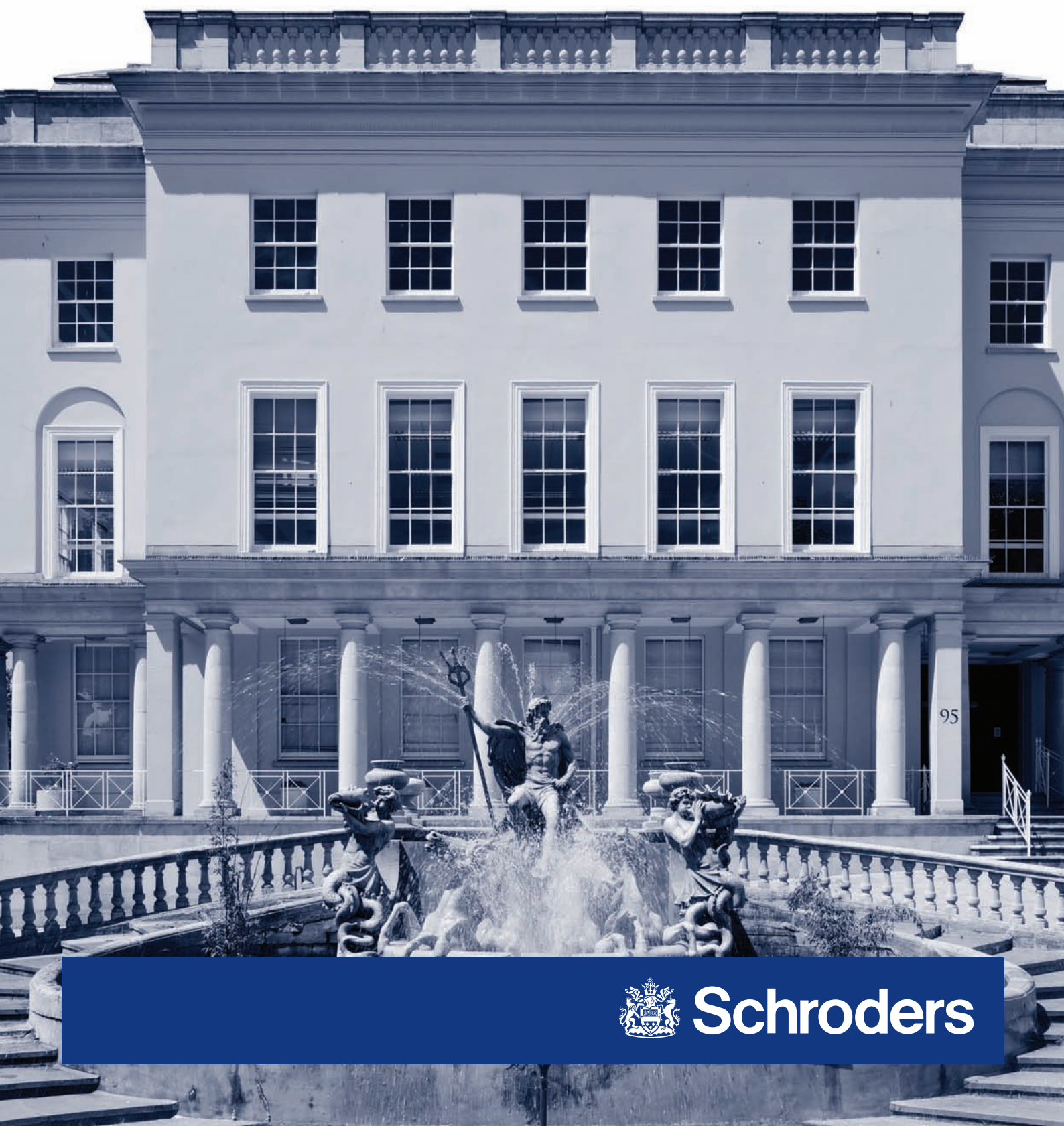


Schroder Real Estate Investment Trust Limited

Consolidated Annual Report for the year ended 31 March 2013



Schroders

Front cover features 95 The Promenade, Cheltenham

Contents

Financial Summary	2
Company Summary	3
Chairman's Statement	5
Investment Manager's Report	8
Board of Directors	15
Report of the Directors	16
Statement of Directors' Responsibilities	21
Responsibility Statement of the Directors' in respect of the Consolidated Annual Report	21
Remuneration Report	23
Corporate Governance	24
Consolidated Statement of Comprehensive Income	28
Consolidated Statement of Financial Position	29
Consolidated Statement of Changes in Equity	30
Consolidated Statement of Cash Flows	31
Notes to the Financial Statements	32
Independent Auditors' Report	44
Glossary	45
Notice of Annual General Meeting	46
Corporate Information	Inside Back Cover

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

Financial Summary

- Net Asset Value ('NAV') total return of -4.0%
- NAV per share decreased by 10.8%
- Loss per share of 3.0 pence ('p')
- EPRA earnings per share of 2.1p
- The Company has declared and paid dividends amounting to 3.52 pence per share ('pps')
- Loan to value post refinancing on 16 April 2013 of 39%
- Share price total return of 33.2%

	31 March 2013	31 March 2012	% Change
NAV ¹	£160.5m	£180.0m	(10.8)
NAV per Ordinary Share ¹ (pence)	45.1	50.6	(10.8)
Share price (pence)	42.5	35.5	19.7
Share price discount to NAV	(5.8%)	(29.8%)	
NAV total return ²	(4.0%)	6.9%	
FTSE All Share Index	3,380.6	3,002.8	12.6
FTSE EPRA/NAREIT UK Real Estate Index	1,290.6	1,103.1	17.0
Total Group assets less current liabilities	£300.8m	£389.6m	(22.8)
Loan to value ratio net of all cash ⁴	32.3%	40.6%	(8.3) ³
Loan to value ratio net of all cash and including interest rate swap mark to market liability ⁴	38.2%	48.6%	(10.4) ³

Sources: Schroder Property Investment Management Limited and Datastream based on returns during the year from 1 April 2012 to 31 March 2013

¹Net Asset Value is calculated using International Financial Reporting Standards

²Net Asset Value total return calculated by Schroder Property Investment Management Limited

³Percentage point change in borrowings

⁴Post year end, at the refinancing date of 16 April 2013, the net loan to value ratio stood at 39%

Company Summary

Schroder Real Estate Investment Trust Limited (the 'Company') together with its subsidiaries (the 'Group') hold a diversified portfolio of UK commercial properties, which is mainly invested in three commercial property sectors: office, retail and industrial. The Group may also invest in other sectors from time to time. The Group will not invest in other listed investment companies. In pursuing the investment objective, the Investment Manager concentrates on assets with good fundamental characteristics, a diverse spread of occupational tenants and with opportunities to enhance value through active management.

Performance Summary

Reconciliation of Net Asset Value per accounts to published Net Asset Value

	31 March 2013 Total £000	31 March 2012 Total £000
Net Asset Value as published on 24 April 2013	160,513	167,000
Adjustment of fair value of share in Plantation Place	–	11,700
Adjustment of expense	–	(290)
Adjustment to swap valuation to exclude accrued interest	–	1,569
Net Asset Value per audited financial statements	160,513	179,979

Property performance

Value of Property Assets	258,580	328,765
Annualised rental income	18,795	22,229
Estimated open market rental value	21,218	25,510
Underlying property total return (year ending)*	1.3%	6.2%
IPD Quarterly Version of Balanced Monthly Index Funds total return (year ended 31 March 2013)*	1.6%	5.9%

* Source: Investment Property Databank ('IPD') including joint venture investments on a like-for-like basis

Summary consolidated statement of comprehensive income

	1 April 2012 to 31 March 2013 £000	1 April 2011 to 31 March 2012 £000
Net rental and related income	20,252	24,148
Realised and unrealised losses on investment property	(17,731)	(3,179)
Expenses	(3,560)	(6,586)
Net finance and swap break costs	(17,672)	(10,758)
Ineffective portion of changes in fair value of swap*	7,561	(3,667)
Share of profit of associates and joint ventures	376	12,125
(Loss)/Profit before tax	(10,774)	12,083
Taxation	207	(1,050)
(Loss)/Profit for the year	(10,567)	11,033
Other comprehensive income: Effective portion of changes in fair value of swap*	1,491	449
Net change in fair value of swap reclassified to profit and loss	2,138	–
Total comprehensive (loss)/income for the year attributable to the equity holders of the parent	(6,938)	11,482

* The swap maturing in July 2016, which is not coterminous with the loan maturity of July 2014 is classified as “ineffective” for accounting purposes under the accounting standard IAS 39. The fair value movement of this swap is taken to the profit and loss account. The swap maturing in July 2014 continues to be classified as “effective” and fair value movements are taken to reserves. Note that all swaps were terminated post year end.

Earnings and dividends

(Loss)/Earnings per share (pence)	(3.0)	3.1
EPRA earnings per share (pence)**	2.1	1.6
Dividends paid per share (pence)	3.52	3.52
Annualised dividend yield on 31 March share price***	8.3%	9.9%

** European Public Real Estate Association ('EPRA') earnings per share reflects the underlying performance of the company. Profit/loss after taxation is adjusted to exclude investment property revaluations, gains and losses on disposals and swap mark to market movement to provide true underlying operational performance. The calculation is set out in Note 10.

*** Prior to dividend reduction announced on 24 April 2013.

Bank borrowings

	31 March 2013	31 March 2012
On-balance sheet borrowings (£000s) (excluding liquidity facility)	114,500	173,500
Loan to value ratio, net of all cash	32.3%****	40.6%
Loan to value ratio net of all cash and including interest rate swap mark to market liability	38.2%****	48.6%

**** Post year end, at the refinancing date of 16 April 2013, the net loan to value ratio stood at 39%.

Ongoing Charges¹

Ongoing charges (including fund only expenses ²)	1.6%	2.4%
Ongoing charges (including fund and property expenses)	3.9%	4.5%

¹ Ongoing charges calculated in accordance with AIC recommended methodology issued in May 2012, as a percentage of average NAV during the year.

² Fund only expenses excludes all property operating expenses, valuers' and professional fees in relation to properties.

Chairman's Statement

Overview

Over the year to 31 March 2013 two important priorities for the Board and the Manager have been to strengthen the Company's balance sheet and to secure a refinancing of the Company's securitised loan ahead of its maturity in July 2014. Since the year end the refinancing has been completed on attractive terms.

The Manager executed a number of property disposals in order to reduce the Company's gearing ahead of the refinancing. While this process strengthened the balance sheet, it has also reduced rental income and constrained the short term potential to grow dividend cover, which stood at 60% over the financial year. The Board has therefore conducted a review of the longer term sustainability of the dividend and concluded that a 30% reduction was appropriate.

The refinancing and dividend reduction puts the Company on a stable footing, in what remains a challenging market environment, and provides a solid platform to take advantage of future opportunities.

Performance

The Company's NAV as at 31 March 2013 was £160.5 million or 45.1 pence per share ('pps'), compared with £180 million or 50.6 pps as at 31 March 2012, reflecting a decline of 5.5 pps or 10.8%. Shareholders received total dividends over the period of £12.5 million or 3.52 pps, resulting in a NAV total return of -4%.

The decline in the NAV was mainly due to a 5.5% decline in the capital value of the underlying property portfolio and the diluting effect of the dividends paid exceeding net revenue.

Over the year the Company's underlying property portfolio produced a total return of 1.3%, marginally underperforming the Investment Property Databank Index (the 'IPD Index') of 1.6%. Over the three years to 31 March 2013 the Company's underlying property portfolio produced a total return of 6.3%, outperforming the IPD Index of 5.7%. Over the year to 31 March 2013, the underlying portfolio produced an above average income return of 7.2% compared with the IPD Index of 6.2%.

Refinancing

Refinancing discussions between the Manager and a number of potential lenders were initiated well in advance of the securitised loan maturing in July 2014, recognising that long term yields were at historic lows. Our refinancing objectives were to secure a long-term debt maturity, a reduction in the cost of debt and sufficient operational flexibility to permit continued asset management of the portfolio.

On 16 April 2013 a new £129.58 million loan facility was concluded with Canada Life and was used to repay the £114.5 million securitised loan in full. The new loan has the following principal terms:

- 80% of the loan maturing in 15 years and 20% in ten years;
- Total fixed interest rate of 4.77% equating to an interest cost of £6.18 million per annum, a reduction from the securitised loan interest rate of 5.72%;
- No amortisation of the loan;
- Loan to Value ('LTV') ratio covenant of 65% and an interest cover ratio ('ICR') covenant of 185%;
- Flexibility to asset manage the portfolio and the ability to utilise cash from disposals to fund capital expenditure; and
- Flexibility to make a limited number of voluntary prepayments. Fixed rate break costs are payable on any prepayment.

As a condition of the refinancing, on 16 April 2013 the Company broke its remaining interest rate swaps relating to the securitised loan, crystallising a total swap break cost of £15.1 million. This compared to the negative mark to market value as at 31 March 2013 of £15.2 million.

Chairman's Statement

The initial LTV ratio on the refinancing date of 16 April 2013 stood at 50%. This excluded cash held outside of Canada Life's security which, after swap break costs and total re-finance fees estimated at £2.3 million, totalled £27 million at the same date. This resulted in a net LTV ratio, including cash and adopting the portfolio valuation as at 31 March 2013, of 39%.

Dividend policy

Post-tax dividend cover for the year to 31 March 2013 was 60% which compared with 46%, or 57% excluding exceptional items, for the year to 31 March 2012. In order to optimise the refinancing terms, the Company completed the disposal of seven properties for £67 million in the course of the year to 31 March 2013 and used the proceeds to repay £59 million of debt. These disposals focussed on properties where asset management initiatives had been completed. The aggregate price reflected a 6% premium to the value at 31 March 2012 and an average net initial yield of 4%. The property disposals, combined with increasing voids within the remaining portfolio, reduced rental income and constrained dividend cover, which stood at 58% for the quarter to 31 March 2013.

Completion of the refinancing enabled the Board and its advisors to review the longer term sustainability of the dividend, which stood at 0.88 pence per share per quarter. Considerations included current and anticipated future market conditions, on-going capital requirements and property specific factors such as the recent planning refusal at Reynards Trading Estate in Brentford, described in more detail in the Investment Manager's report.

Following this review, the Board concluded that a sustainable dividend, based on the Company's portfolio and business plans, is 0.62 pence per share per quarter, representing a reduction of 30% from the current level of dividend. The adjustment to the reduced level of dividend will take effect from the quarter ending 30 June 2013. The Board expects the Manager's future management of the portfolio to provide opportunities to grow rental income and increase dividend cover over time.

Strategy

Completion of the refinancing has enabled the Board to review the Company's longer term strategy and stated objective to provide shareholders with an attractive level of income, with the potential for income and capital growth.

In doing so, the Board and Manager have identified a number of high level objectives for the forthcoming period, as follows:

- Reduce the portfolio void rate that currently represents 14.4% or £3 million per annum of portfolio rental value;
- Preserve and where possible improve the portfolio's defensive qualities such as average lease length and tenant covenant quality;
- Sell low or non-income producing assets on completion of asset management and re-invest proceeds to increase net income;
- Achieve a reduction in the number of properties through selling smaller assets and reinvesting in larger assets offering greater scope for asset management; and
- Re-position the portfolio towards higher growth markets such as Central London and 'alternative' sectors.

The Board expects the Manager to maintain its rigorous and pro-active approach to transactions and asset management, and where appropriate to invest in the existing portfolio.

Board composition

The Directors of the Company have all been in office for periods between seven and nine years. Given the significant changes and challenges of the last two years, the Board felt that continuity was important, and did not therefore seek to make changes at Board level during this period. While it is the Board's view that all the Directors remain independent in character and judgement, notwithstanding their tenure, it is our intention to identify successors for two members of the Board in the course of the coming year in order to bring the benefit of fresh

Chairman's Statement

perspectives and to complement the experience of the continuing Directors. Further announcements will be made in due course once the recruitment process is complete.

Outlook

Economic uncertainty has continued to weigh on market sentiment, with average UK commercial property values falling 4.9% since October 2011. Since the start of 2013 there have been some more encouraging signals, with some of the downside risks to GDP growth receding. Whilst this is positive, a sustained period of economic growth will be required for a broader recovery in rental and capital values across the UK property market.

The Company's near term growth prospects will depend in part on the successful completion of key asset management initiatives such as delivering a residential planning consent at Reynards Trading Estate in Brentford. A modest recovery in the UK economy could also now start to provide support to the Company's wider strategy and improve shareholder returns.

Andrew Sykes

Chairman

Schroder Real Estate Investment Trust Limited

15 July 2013

Investment Manager's Report

The year to 31 March 2013 was a period of intensive asset management and disposals, preparing for the successful completion of the refinancing since the year end which was an important strategic objective ahead of the debt maturity in 2014.

This was achieved against the backdrop of a further reduction in UK commercial property values, leading in turn to a decline in the Net Asset Value ('NAV') of 5.5 pence per share ('pps') or 10.8%, set out in more detail below:

	Pence
NAV per share as at 31 March 2012	50.6
Unrealised change in valuation of direct investment property portfolio	-5.4
Capital expenditure during the period	-0.5
Unrealised change in valuation of joint ventures	0.1
Realised gain from disposals of investment property	0.8
Unrealised mark to market movement in interest rate swaps	3.2
Realised interest rate swap break costs	-2.3
Post tax net revenue	2.1
Dividends paid	-3.5
NAV per share as at 31 March 2013	45.1

A 6.5% reduction in the value of the properties held contributed -5.4 pps to the movement in NAV over the year. The decline in the value of the held portfolio was mitigated by £67 million of disposals, at an average premium to the 31 March 2012 valuation of 6%, making a positive contribution of 0.8 pps. This reduced the overall decline in the capital value of the property portfolio to 5.5%.

The Company used disposal proceeds to repay £59 million of the securitised debt over the year, requiring a pro-rata proportion of interest rate swaps to be broken, crystallising a total cost of £8.2 million. Taking this into account, the impact of marking the Company's interest rate swaps to market made a positive contribution of 0.9 pps over the year.

As noted in the Chairman's Statement, the disposals completed as part of the successful refinancing strategy suppressed dividend cover, which stood at 60% over the year. The dividend shortfall made a negative contribution to NAV of 1.4 pps over the year.

Market overview

The Investment Property Databank ('IPD') Index of the Quarterly Version of Balanced Monthly Index Funds (the 'IPD Index') for the year to 31 March 2013 confirmed average UK commercial property values fell 4.3%, resulting in a total return of 1.6%.

Sentiment towards UK commercial property is improving and 2013 is now witnessing the early signs of a market recovery. Whilst any recovery is likely to be slow, the above average income return offered by the property sector and lower expected levels of volatility are becoming increasingly attractive in a low interest rate environment.

The Central London office market continued to outperform the rest of the UK over the year, producing a total return of 8.4%. Central London was the only sub-sector to generate positive rental value growth, driven by strong occupier demand from media and technology companies in the West End and the periphery. This was combined with strong demand from international investors who accounted for 57% of all Central London transactions in 2012 (source: Real Capital Analytics).

A widening of the gap between prime and secondary property has persisted over the year, with upward price movements for properties which offer long leases to secure tenants. According to CBRE, the gap between average prime and secondary is now 5.8%, the highest on record. A reversal of quantitative easing and increasing interest rates could have a negative impact on prime property values and lead to relative outperformance of non prime assets.

Investment Manager's Report

Broader structural change is also impacting on the UK commercial property market. Most significantly, the retail sector continues to be undermined by weak consumer demand and the growth in e-tailing that is diverting sales from the High Street. The distribution sector has been a beneficiary of this trend with a sharp increase in logistics requirements supporting the delivery of goods bought on the internet.

Alternative property sectors such as healthcare, senior living, the private rented sector and student accommodation are becoming increasingly institutionally acceptable and out-performed the traditional property sectors over 2012. Alternative sectors can offer less correlated returns to the broader economic cycle and could potentially provide the Company with an opportunity to improve the defensive qualities of the portfolio with long leases.

Strategy

Following the announcement of a reduction to the quarterly dividend to a sustainable level, our focus will be to continue to grow net income through acquisitions, contracted fixed rental uplifts and on-going letting activity. The Company also has the potential to sell certain low or non-income producing properties, upon receipt of planning consent, with proceeds reinvested to increase net income. These are described in more detail below.

The refinancing terms were negotiated to provide flexibility to implement the property strategy and include, for example, a reduction in the minimum number of properties required from 50 to 35. This will also enable smaller, lower yielding, properties to be sold and replaced with larger properties offering improved economies of scale.

Acquisitions over the short to medium term will enable the Company's portfolio to be re-positioned towards larger properties in higher growth markets offering good fundamentals and an above average income return. Whilst new acquisitions will focus on Central London and the South East of England, other locations will be considered where a sufficient yield premium can be achieved.

Looking forward, the challenge for the Company is to be in a position where it can take advantage of attractive investment and growth opportunities arising from a market recovery. The long term refinancing provides stability and a further improvement in the share price rating may offer growth opportunities in due course.

Property portfolio

As at 31 March 2013, the Company's direct property portfolio comprised 53 properties independently valued at £258.58 million. On the same basis the portfolio produced rental income of £18.8 million, reflecting a net initial yield of 6.9%. The independent valuer has estimated that the current market rental value of the portfolio is £21.2 million, reflecting a reversionary yield of 7.7%. In addition to the current rental income the portfolio benefits from further fixed rental uplifts due by March 2015 of £1.31 million.

Allowing for activity since the year end, the average unexpired lease term for the portfolio, assuming all tenants vacate at the earliest opportunity, is seven years compared with the IPD Index of 8.6 years.

The Company continues to own a diversified portfolio of UK commercial property with the tables below highlighting the above average weighting to the South East of England and the office sector, with a low weighting to the retail sector and Central London.

Sector weightings by value	Weighting %	
	SREIT	IPD
Retail	25.8	44.2
Offices	40.6	28.6
Industrial	25.1	17.6
Other	8.5	7.7

Investment Manager's Report

Regional weightings by value	Weighting (%)	
	SREIT	IPD
Central London	0	20.7
South East excluding Central London	54.1	40.5
Rest of the South	11.6	6.1
Midlands and Wales	18.6	12.1
North and Scotland	15.7	20.6

The Company's top ten properties comprise 50.4% of the portfolio value and provide core income with a South East focus. The average unexpired lease term of the top ten properties, assuming all tenants break at the earliest opportunity, is 8.1 years.

Top ten properties		Unexpired lease term ¹	Value (£)	(%)
1	Brighton, Victory House	9.4	24,500,000	9.5
2	Brentford, Reynards Business Park	0.5	16,000,000	6.2
3	Uxbridge, 106 Oxford Road	10.6	14,800,000	5.7
4	Salisbury, Churchill Way West	7.1	13,100,000	5.1
5	Wembley, Olympic Office Centre	1.7	12,500,000	4.8
6	Luton, The Galaxy	9.8	12,350,000	4.8
7	Basingstoke, Churchill Way	19.6	10,650,000	4.1
9	Norwich, Union Park	2.3	9,000,000	3.5
8	Alfreton, Recticel Unit	17.6	8,800,000	3.4
10	Sheffield, The Portergate	6.2	8,500,000	3.3
Total as at 31 March 2013			130,200,000	50.4

¹ To the earlier of lease expiry and break

Top ten tenants		Unexpired lease term ¹	Rent p.a. (£)	% of portfolio
1	Wickes Building Supplies Limited	12.7	1,092,250	5.8
2	Norwich Union Life and Pensions Limited	6.2	1,039,191	5.5
3	Lloyds TSB Bank PLC	1.5	1,028,900	5.5
4	BUPA Insurance Services Limited	7.4	960,755	5.1
5	The Buckinghamshire New University ²	10.6	900,000	4.8
6	Mott MacDonald Limited ³	11.2	790,000	4.2
7	Recticel SA ⁴	17.6	731,038	3.9
8	Irwin Mitchell LLP	3.5	555,000	3.0
9	Booker Limited	13.5	550,000	2.9
10	Network Housing Group Limited	1.7	539,386	2.9
Total as at 31 March 2013			8,186,520	43.6

¹ To the earlier of lease expiry and break

² Fixed uplift to £1.02 million per annum in May 2014

³ Mott MacDonald Group Limited are Guarantor

⁴ The tenant is currently benefiting from a half rent period equating to £365,519 per annum which will increase to £731,038 per annum in January 2014

The top ten tenants generally comprise large businesses or government bodies and represent 43.6% of the portfolio with an average lease term, assuming all tenants break at the earliest opportunity, of nine years.

The Company receives independent quarterly reports from the IPD Rental Information Service ("IRIS"), which compares the quality of the Company's rental income with the IPD Index. This results in a weighted risk score that takes into account credit ratings, lease length, tenant concentration, reversionary potential and vacancy. As at the 31 March 2013, the Company's weighted risk score puts it on the 10th percentile of the IPD Index which is a strong rating compared with the IPD Index. The main positive contributor to the IRIS rating is tenant covenant strength where IRIS compares the percentage of rental income generated by the portfolio graded by risk band, using credit ratings provided by Dun & Bradstreet:

Investment Manager's Report

Tenant Risk Band							
Dun & Bradstreet rating	Maximum	High	Medium to High	Low to Medium	Low	Negligible	Unscored or Ineligible
SREIT	5.54	2.97	0.30	10.21	18.18	61.38	1.41
IPD Index	9.43	4.38	2.95	7.65	20.15	51.73	3.72

The negative contributors to the IRIS rating are the portfolio lease expiry profile, void rate and, as noted above, improving these two measures is a key strategic objective. The table below shows the expiry profile of Company's portfolio as at 31 March 2013, in five year increments, assuming all tenants leave at the earliest opportunity. This is compared against the IPD Index and ignores the potential for future rental uplifts at rent review.

Income expiry profile

Years to Expiry	% of rent passing	
	SREIT earliest termination/IPD Index earliest termination	SREIT assuming no tenant breaks/IPD Index assuming no tenant breaks
Up to five	46.8 / 41.4	38.2 / 31.2
Five to 10	31.2 / 27.8	28.4 / 33.5
10 to 15	14.8 / 18.0	18.4 / 20.4
15 to 20	5.7 / 6.2	11.1 / 6.8
Over 20	1.5 / 6.5	3.9 / 8.1

The disposals of let property and challenging occupational markets outside of Central London have contributed to an increase in the portfolio void rate to 14.4% as at 31 March 2013, calculated as a percentage of portfolio rental value, which compares to the IPD index of 9.2%. The voids are spread across 17 properties with the largest individual void representing 1.5% of portfolio rental value. Although the Company's low retail weighting has insulated it against many high profile retailer failures, over the second half of the year the failure of Comet and a subsidiary of Gala led to the loss of £0.67 million per annum of rental income. The void rate represents £3 million of rental value and achieving lettings as well as minimising void costs will be a key contributor to growing net income and is therefore an important area of focus.

Property portfolio performance

The performance of the Company's underlying property portfolio compared with its IPD Index for the period up to 31 March 2013 is shown below:

IPD Sector	SREIT total return p.a. (%)			IPD Index total return p.a. (%)			Relative p.a. (%)		
	One year	Three years	Since inception	One year	Three years	Since inception	One year	Three years	Since inception
Retail	-2.3	1.4	4.2	0.2	4.8	3.1	-2.5	-3.3	1.0
Offices	-0.4	7.0	4.4	2.7	6.7	4.1	-3.0	0.4	0.2
Industrial	9.1	9.4	4.6	3.3	5.9	1.0	5.6	3.2	0.7
Other	-5.9	5.2	-0.7	3.9	8.3	3.8	-9.4	-2.8	-4.3
Total	1.3	6.3	4.7	1.6	5.7	3.7	-0.3	0.5	0.9

Investment Manager's Report

Transactions and asset management

London, Minerva House



On 17 December 2012 Minerva House was sold for £30 million reflecting a net initial yield of 5.37%, which compared to the value as at 31 March 2012 of £28.2 million. Minerva House comprises a 91,748 sq ft office building located on the south bank of the River Thames. The property is let to Winckworth Sherwood LLP and Ipsos Mori UK Limited and the disposal followed a number of value enhancing activities including refurbishing the property and restructuring the leases that increased the rent by 25% over the seven years of ownership, generating an ungeared total return of 8.2% per annum compared with the IPD Index of 2.1% over the same period.

Brentford, Reynards Trading Estate



As noted above, the Company has the potential to sell certain low or non-income producing properties which have the potential to enhance net income. Three of these initiatives are set out below:

At Reynards Trading Estate in Brentford, a six acre, 170,000 sq ft substantially vacant industrial estate, the Company continues to implement a strategy to secure residential planning consent. Over the year a planning application for a 275 unit or 220,000 sq ft residential scheme was appealed and subsequently refused by the Secretary of State ('SoS'). The main reason for the refusal was proposed overdevelopment of the site but, importantly, the SoS agreed with the planning inspector's conclusion that residential development is acceptable in principle. The detailed comments from the planning inspector have been discussed with the local planning authority ('LPA'), and based on their feedback, a separate planning application pending for a lower density residential scheme has been withdrawn. The LPA are supportive of a new application that is in the process of being prepared.

Hinckley, Coventry Road



At the Company's 9.4 acre development in Hinckley, a resolution to grant planning consent has been secured since the year end for 122 houses totalling 100,000 sq ft. As at 31 March 2013 the property was valued at £2.5 million and produced no income. There have been extensive negotiations in connection with the section 106 'planning gain' payment to the LPA and affordable housing that has now been agreed at £0.4 million and 13% respectively. This agreement is being documented and the property will be marketed for disposal in due course.

Investment Manager's Report

Wembley, Olympic Office Centre and adjoining site



Olympic Office Centre comprises a 74,000 sq ft office building with an adjoining 1.9 acre car park and non-income producing site. The property is adjacent to Wembley Stadium and has significant frontage to Wembley Way. Since the year end the Company has made an outline planning application for two buildings on the car park and site totalling 400,000 sq ft and comprising student, residential, hotel, retail and leisure uses. Alongside this a further planning application has been made for decked car parking at the Olympic Office Centre to replace the parking that could be taken up by future development. If planning consent is received the car park and site could be sold for redevelopment in part or as a whole.

Cheltenham, 95 Promenade



Asset management activity is focussing on retaining existing tenants on longer leases and minimising voids. Two recent examples of activity that has made a positive contribution to improving income and value are set out below:

Number 95 The Promenade comprises a 33,000 sq ft town centre office building. The lease to the previous tenant expired in June 2012 and following extensive negotiations terms were agreed to retain the previous sub-tenants in approximately 57% of the space. In return for signing up to new 10 year leases with six year breaks at a combined higher rent of £322,800 per annum, the Company is installing air-conditioning at a total cost of £346,000. In parallel with this, the Company is currently refurbishing the vacant space to a Grade A specification at a cost of £514,000 net of the dilapidations payment from the outgoing tenant. Completing these works will optimise the re-letting prospects for the vacant space.

Marlow, Globe Park, Pacific House



Pacific House comprises a 15,443 sq ft office building that was let to Trend Micro until June 2013 at £310,500 per annum. Following discussions with Trend Micro where it became clear they intended to vacate the property, new occupiers were targeted. This has led, since the year end to completing a new lease to Sennheiser without breaks at a rent of £285,700 per annum with a stepped rental incentive equating to 25 months rent.

Investment Manager's Report

Finance

Details of the Company's financing arrangements as at 31 March 2013, prior to the refinancing completing, are set out below:

As at 31 March 2013	Amount (£m)	Swap rate (%)	Margin (%)	Total interest rate (%)	Swap maturity	M2M* at 31 March 2013
Loan	36.8	5.099 fixed	0.2	5.299	15/07/14	(2.2)
Loan	77.7	5.713 fixed	0.2	5.913	15/07/16	(13.0)
Loan total	114.5	5.52 fixed	0.2	5.72	N/A	(15.2)
Liquidity facility**	11.2	0.5***	0.662	1.162	N/A	N/A

* M2M or marked to market value of interest rate swaps

** Securitised debt facility had a Liquidity Facility of £11.2 million provided by Lloyds Banking Group ('Lloyds'). This has been repaid as part of the refinancing

*** Three month Libor as at 18 April 2013

The refinancing with Canada Life Investments ('Canada Life') completed on 16 April 2013 with the new £129.58 million loan facility used to repay the £114.5 million securitised loan in full. As set out in the Chairman's Statement, the new loan satisfies the Company's strategic objectives of achieving a long-term debt maturity, a reduction in the cost of debt and sufficient operational flexibility to permit continued active management of the portfolio.

As a condition of the refinancing the Company broke its remaining interest rate swaps related to the securitised loan, crystallising a total swap break cost of £15.1 million. The arrangement and advisory fees associated with the refinancing totalled £2.3 million.

The initial loan to value ('LTV') of the Canada Life loan of 50% provides the Company with sufficient cash for operational flexibility after the payment of swap break costs and refinance fees. At drawdown the Company had £27 million of cash held outside the new loan security and this resulted in a net loan to value of 39%.

The new loan has a LTV ratio covenant of 65%, an improvement compared with the securitised loan covenant of 60%, and an interest cover ratio covenant of 185% which compares to the securitised loan covenant of 150%. The table below sets out the key new loan terms and compliance against the principal loan covenants at draw down on 16 April 2013:

Canada Life Loan (£m)	Maturity	Interest rate (%)	Loan to value ratio ('LTV' %)	LTV ratio covenant	Interest cover ratio ('ICR' %)*	ICR covenant ratio
103.7	16/04/2028	4.77	50	65	252	185
25.9	16/04/2023					

*Forecast ICR as at 16 April

The Company has the ability to make a limited number of voluntary prepayments and fixed rate break costs are payable on any prepayment. No break costs are payable when the 10 year tranche of debt matures.

Outlook

The focus for the Company is to continue to generate additional income through asset management and new acquisitions utilising existing capital together with recycling of capital realised from the disposal of lower yielding and non-core assets.

In conjunction with the emergence of a more positive market sentiment towards property investment, certain sectors are offering increasingly attractive investment characteristics. The new long term finance facility and the reduction of the dividend payment provides greater sustainability to the Company's cash flows which we believe will support it in being able to take advantage of these positive conditions over the next financial year.

Duncan Owen

Schroder Property Investment Management Limited

15 July 2013

Board of Directors

Andrew Sykes (Chairman)

Aged 55, was a director of Schroders plc from 1998 to 2004, and was responsible for the group's private banking and alternative investments businesses, including property, private equity, structured products and hedge funds. He is Chairman of SVG Capital plc and Absolute Return Trust Limited, Deputy Chairman of Smith & Williamson Holdings Limited and a Non-executive Director of JP Morgan Asian Investment Trust plc and Record plc.

John Frederiksen

Aged 65, is chairman of the Danish Property Federation and several major Danish property and other companies as well as President of the European Property Federation. He established, and was Managing Director of, Bastionen A/S, one of the largest Danish property investment companies from 1986 to 2001. He was also Chairman of ASC, the largest property management company in Denmark, from 1990 to 1998.

Keith Goulborn

Aged 68, was head of Unilever's UK Property Department for 17 years. In this capacity he was responsible for the property investment activities of the Unilever Pension Fund in the UK and operational property advice to the UK group and its implementation. Prior to that, he was a partner in Debenham, Nightingale Chancellors. He is a fellow of the Royal Institution of Chartered Surveyors.

Harry Dick-Cleland

Aged 56, is Managing Director of Cleland & Co Limited, Chartered Accountants which he founded in 2003. He was previously a Partner at Ernst & Young from 1998 to 2003, having joined their Guernsey office in 1987. He is a fellow of the Institute of Chartered Accountants in England & Wales.

David Warr

Aged 59, is a fellow of the Institute of Chartered Accountants in England & Wales with particular expertise in trust and corporate work. He is also a Non-executive Director of UK Select Trust Limited, Breedon Aggregates Limited, Unigestion (Guernsey) Limited, Acorn Income Fund Limited, Crystal Amber Fund Limited and Mid Europa Fund Management Limited.

Peter Atkinson

Aged 58, was the Senior Partner of Collas Day Advocates for 14 years where he specialised in corporate and fiduciary work. He joined Collas Day in 1980 and became Senior Partner in 1992. He is now a Non-executive Director of a number of listed and unquoted companies. He is an Advocate of the Royal Court of Guernsey and a Solicitor of the Supreme Court of England and Wales. He is a former Chairman of the Guernsey Bar.

Report of the Directors

The Directors of Schroder Real Estate Investment Trust Limited (the 'Company') and its subsidiaries (together, the 'Group') present their report and the audited financial statements of the Group for the year ended 31 March 2013. The Company is incorporated in Guernsey, Channel Islands under the Companies (Guernsey) Law, 2008.

Business Review

Company's business

The Company is a limited liability, authorised closed-ended, Guernsey investment company managed by Schroder Property Investment Management Limited ('Schroders'/the 'Investment Manager'). Article 43.1 of the Company's Articles of Association states that the Company's shareholders will have the opportunity to vote for its continuation at the Annual General Meeting to be held in 2014.

A review of the business during the past year is contained in the Chairman's Statement and the Investment Manager's Report.

Investment objective

The investment objective of the Company is to provide shareholders with an attractive level of income together with the potential for income and capital growth through investing in UK commercial property. The Group invests principally in the UK commercial property sectors including office, retail and industrial and it may invest in other sectors from time to time, such as residential and leisure.

Investment strategy

The Board has delegated investment management and accounting services to the Investment Manager with the aim of helping the Company to achieve its investment objectives. Details of the Investment Manager's investment approach, along with other factors that have affected performance during the year, are set out in the Investment Manager's Report.

Investment policy

The investment policy of the Company is to own a diversified portfolio of UK commercial property with good fundamental characteristics, as outlined below.

Diversification and asset allocation

The Board believes that, in order to maximise the stability of the Group's income, the optimal strategy for the Group is to invest in a portfolio of assets diversified by location, sector, asset size and tenant exposure with low vacancy rates and creditworthy tenants. The value of any individual asset at the date of its acquisition must not exceed 15% of gross assets and the proportion of rental income deriving from a single tenant must not exceed 10%. From time to time the Board may also impose limits on sector, location and tenant types together with other activity such as development. At present, the Board has instructed the Investment Manager to seek to maintain the Group's exposure to the office sector at below 60% of the total value of the Group's assets. This instruction will be kept under review by the Board.

The Company's portfolio will be invested and managed in accordance with the Listing Rules of the Financial Conduct Authority ('Listing Rules' and 'FCA' respectively), the Rules of the Channel Islands Stock Exchange ('CISX') and taking into account the Company's investment objectives, policies and restrictions.

Borrowings

As at 31 March 2013, the Group had £114.5 million of on-balance-sheet debt (excluding the liquidity facility). On 16 April 2013, the Company announced the completion of a new £129.58 million loan facility with Canada Life to refinance its £114.5 million securitised loan in full. This represented the successful conclusion of a strategy of selective property disposals, where asset management initiatives had been completed, to reduce the quantum of the Company's debt and its loan to value ('LTV') ratio in order to optimise the terms of the refinancing.

The Board has established a gearing guideline for the Investment Manager, which seeks to limit on-balance-sheet debt, net of cash, to 40% of on-balance-sheet assets while recognising that this may be exceeded in the short term from time to time. It should be noted that the Company's Articles of Incorporation limit its borrowings to 65% of the Group's gross assets, calculated as at the time of borrowing. The Board keeps this guideline under review and the Directors may require the Investment Manager to manage the Group's assets with the objective of bringing

Report of the Directors

borrowings within the appropriate limit while taking due account of the interests of shareholders. Accordingly, corrective measures may not have to be taken immediately if this would be detrimental to shareholder interests.

Interest rate exposure

It is the Board's policy to hedge interest rate risk, either by ensuring that borrowings are on a fixed rate basis, or through the use of interest rate swaps/derivatives used solely for hedging purposes. Subsequent to the year end, there are no interest rate swaps due to the fixed rate nature of the newly refinanced debt.

Investment restrictions

As the Company is an authorised closed-ended investment fund for the purposes of the Listing Rules and the Rules of the CISX, the Group will adhere to the Listing Rules and the Rules of the CISX applicable to closed-ended investment funds. The Company and, where relevant, its subsidiaries will observe the following restrictions applicable to closed-ended investment funds in compliance with the current Listing Rules and the Rules of the CISX:

- neither the Company nor any subsidiary will conduct a trading activity which is significant in the context of the Group as a whole and the Group will not invest in other listed investment companies; and
- where amendments are made to the Listing Rules and/or the Rules of the CISX, the restrictions applying to the Company will be amended so as to reflect the new Listing Rules or the Rules of the CISX (as appropriate).

Investment Manager

The Investment Manager, Schroder Property Investment Management Limited, was appointed on 13 January 2012 as the Company's Investment Manager, providing investment management and accounting services, replacing Invista Real Estate Investment Management Limited ('IREIM').

Performance

The Board uses principal financial Key Performance Indicators ('KPIs') to monitor and assess the performance of the Company being the absolute net asset value ('NAV') total return, the performance of the Company's underlying property portfolio relative to its Investment Property Databank ('IPD') Index peer group and the share price:

1. NAV total return

Over the year to 31 March 2013 the Company produced a NAV total return of -4.0% (6.9% for the year to 31 March 2012). From inception in May 2004, the Company has produced an annualised NAV total return of -2.3% per annum.

2. Underlying property portfolio performance relative to peer group Benchmark

The performance of the Company's property portfolio is measured against a specific benchmark defined as the Investment Property Databank ('IPD') Quarterly Version of Balanced Monthly Index Funds (the 'Benchmark Index'). As at 31 March 2013 the Benchmark Index comprised 59 member funds. The analysis below prepared by IPD includes joint venture investments on a like-for-like basis.

Total return for	12 months to 31 March 2013		12 months to 31 March 2012	
	SREIT (%)	IPD Benchmark Index (%)	SREIT (%)	IPD Benchmark Index (%)
Direct Portfolio and Joint				
Venture Investments	1.3	1.6	6.2	5.9

3. Share price performance

Over the year to 31 March 2013 the Company produced a share price total return of 3.2%. The Board monitors the level of the share price compared to the NAV. Where appropriate on investment grounds, the Company may from time to time repurchase its own shares, but the Board recognises that movements in the share price premium or discount are driven by numerous factors, including investment performance, gearing and market sentiment. Accordingly it focuses its efforts principally on addressing sources of risk and return as the most effective way of producing long term value for shareholders.

Report of the Directors

Investment Manager performance

The Board reviews the Investment Manager's performance at its quarterly Board meetings. In addition, the Board made its annual visit to the Investment Manager's office in March 2013 to review portfolio strategy and the Investment Manager's capabilities in more depth. Following this visit, the individual Directors formally recorded their individual assessments of the performance of the Investment Manager in writing, followed by a discussion of these assessments in private session. On the basis of this review, and the extensive selection process undertaken prior to appointing the Investment Manager, the Board remains satisfied that the Investment Manager has the appropriate capabilities required to support the Company, and believes that the continuing appointment of the Investment Manager is in the interests of shareholders.

Risks and uncertainties

The Board has adopted a matrix of key risks which affect its business and a robust framework of internal control which is designed to monitor those risks. The internal control framework provides a system to enable the Directors to mitigate these risks as far as possible and which assists in determining the nature and extent of the significant risks the Board is willing to take in achieving its strategic objectives. A description of the Company's system of internal control is set out further below in the Corporate Governance statement. The principal risks are considered to be as follows:

Investment and strategy: An inappropriate investment strategy, or failure to implement the strategy, could lead to underperformance and a widening in the share price discount. This under performance could be caused by incorrect sector and geographic weightings or a loss of income through tenant failure, both of which could lead to a fall in the value of the underlying portfolio. This fall in values would be amplified by the company's external borrowings. The Board seeks to mitigate these risks by diversification of its property portfolio through its investment restrictions and guidelines which are monitored and reported on by the Investment Manager. The Board determines borrowing policy and the Investment Manager operates within borrowing restrictions and guidelines. The Investment Manager provides the Directors with timely and accurate management information including performance data, attributions analysis, property level business plans and financial projections. The Board monitors the implementation and results of the investment process with the Investment Manager with a separate meeting devoted to strategy each year.

Economic and property market risk: The performance of the Company could be affected by economic and property market risk. In the wider economy this could include inflation or deflation, economic recessions, movements in interest rates or other external shocks. The performance of the underlying property portfolio could also be affected by structural or cyclical factors impacting particular sectors or regions of the property market.

Accounting, Legal and Regulatory: The Company has robust processes in place to ensure that accurate accounting records are maintained and that evidence to support the financial statements is available to the auditors upon request. The Investment Manager operates established property accounting systems and has procedures in place to ensure that the quarterly NAV and Gross Asset Value are calculated properly.

In addition, the Company's property assets are valued quarterly by Knight Frank LLP, a specialist property valuation firm, who are provided with regular updates on portfolio activity by the Investment Manager.

The Administrator monitors legal requirements to ensure that adequate procedures and reminders are in place to meet the Company's legal requirements and obligations. The Investment Manager undertakes full legal due diligence with advisors when transacting and managing the Company's assets. All contracts entered into by the Company are reviewed by the Company's legal and other advisors.

Processes are in place to ensure that the Company complies with the conditions applicable to property investment companies set out in the Listing Rules and the Rules of the CISO. The Administrator attends all Board meetings to be aware of all announcements that need to be made and the Company's advisors are aware of their obligations to advise the Administrator and, where relevant, the Board of any notifiable events. Finally, the Board is satisfied that the Investment Manager and Administrator have adequate procedures in place to ensure continued compliance with the regulatory requirements of the FCA, the CISO and the Guernsey Financial Services Commission.

Corporate Governance and Shareholder Relations: Details of the Company's compliance with Corporate Governance best practice, including information on relations with shareholders, are set out in the Corporate Governance report.

Report of the Directors

Operational: Disruption to, or failure of, the Investment Manager's business or accounting systems could lead to an inability to provide accurate reporting and monitoring of the Company's financial position. Details of how the Board monitors the services provided by the Investment manager and its associates and the key elements designed to provide effective internal control are included with the Internal Control section of the Corporate Governance report on page 26.

Financial: Note 20 to the financial statements include a description of risks relating to financial risk, market price risk, credit risk, liquidity risk and interest rate risk.

Political: Changes in financial or tax legislation in the United Kingdom, Channel Islands and European Union may adversely affect the Company. The Board seeks advice on these matters where appropriate.

Management and control: Changes that cause the management and control of the Company to be exercised in the United Kingdom could lead to the Company becoming liable for United Kingdom taxation on income and capital gains.

This report includes statements that are, or may be deemed to be, "forward-looking statements". Forward-looking statements are not guarantees of future performance. The Company's actual investment performance, results of operations, financial condition, dividend policy and the development of its financing strategies may differ materially from the impression created by the forward-looking statements contained in this document.

Dividend

During the year the Company has declared and paid the following interim dividends to its ordinary shareholders in accordance with the solvency test (contained in the Companies (Guernsey) Law, 2008):

Dividend For Quarter	Date Paid	Rate
31 March 2012	18 May 2012	0.88 pence per share
30 June 2012	17 August 2012	0.88 pence per share
30 September 2012	16 November 2012	0.88 pence per share
31 December 2012	22 February 2013	0.88 pence per share

Subject to the solvency test provided for in Companies (Guernsey) Law, 2008, being satisfied, all dividends are declared and paid as interim dividends. The Directors do not therefore recommend a final dividend. A dividend for the quarter ended 31 March 2013 of 0.88 pence per share ('pps') was declared on 24 April 2013 and paid on 24 May 2013.

On 24 April 2013 the Company announced a reduction in the current level of dividend from 0.88 pps to 0.62 pps. The adjustment to the reduced level of dividend takes effect from the quarter ending 30 June 2013.

Investment management fees

The Investment Manager receives a fee of 1.1% per annum of the Company's Net Asset Value for providing investment management and accounting services. The fee is payable monthly in arrears. There is no performance fee.

The Investment Management Agreement can be terminated by either party on not less than nine months' written notice or on immediate notice in the event of certain breaches of its terms or the insolvency of either party.

Administration

The Board appointed Northern Trust International Fund Administration Services (Guernsey) Limited as the administrator to the Company (the 'Administrator') with effect from 25 July 2007. The Administrator is entitled to an annual fee equal to £120,000.

Going Concern

The Directors have examined significant areas of possible financial risk including cash and cash requirements and the debt covenants, in particular the loan to value covenant and interest cover ratio. They have not identified any material uncertainties which would cast significant doubt on the Group's ability to continue as a going concern for a period of not less than twelve months from the date of the approval of the financial statements. The Directors have satisfied themselves that the Group has adequate resources to continue in operational existence for the foreseeable future. After due consideration, the Board believes it is appropriate to adopt the going concern basis in preparing the financial statements.

Report of the Directors

Creditor Payment Policy

It is the Group's policy to ensure settlement of supplier invoices in accordance with stated terms.

Anti-Bribery Policy

The Board notes the implementation of the Bribery Act 2010, which came into force on 1 July 2011. The Company continues to be committed to carrying out its business fairly, honestly and openly. To this end, it has undertaken a risk assessment of its internal procedures and the policies of the Company's main service providers and has adopted a revised anti-bribery policy which aims to prevent bribery being committed by Directors and persons associated with the Company on the Company's behalf and to ensure compliance with the Bribery Act.

Directors

The Directors of the Company together with their beneficial interest in the Company's ordinary share capital as at the date of this report are given below:

Director	Number of Ordinary Shares	Percentage (%)
Andrew Sykes	60,292	Less than 0.1
Keith Goulborn	34,880	Less than 0.1
Harry Dick-Cleland	—	—
David Warr	150,000	Less than 0.1
Peter Atkinson	10,000	Less than 0.1
John Frederiksen	50,000	Less than 0.1

Substantial Shareholdings

At 28 March 2013 the Directors were aware that the following shareholders each owned 3% or more of the issued Ordinary Shares of the Company.

	Number of Ordinary Shares	Percentage (%)
Investec Wealth and Investment	46,483,241	13.06
JO Hambro Capital Management	22,093,779	6.21
Alliance Trust Savings Limited	21,183,217	5.95
Henderson Global Investors	21,000,000	5.90
Cazenove Capital Management	17,766,300	4.99
Premier Fund Managers Limited	14,506,365	4.08
Legal & General Investment Management Limited	12,610,373	3.54
Heartwood Wealth Management	12,422,993	3.49
BlackRock Inc	12,267,340	3.44
Transact	10,872,122	3.05

Disclosure of Information to Auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors

KPMG Channel Islands Limited have expressed their willingness to continue as auditors to the Company (the 'Auditors') and resolutions proposing their reappointment and authorising the Directors to determine their remuneration for the coming year will be put to shareholders at the annual general meeting ('AGM') of the Company.

Status for Taxation

The Income Tax Director in Guernsey has granted the Company exemption from Guernsey income tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 and the income of the Company may be distributed or accumulated without deduction of Guernsey Income Tax. Exemption under the above mentioned Ordinance entails the payment by the Company of an annual fee of £600.

During the year, the Company's properties have been held in various subsidiaries and associates, the majority of which are subject to UK Income Tax. In each instance any tax due is computed after deduction of debt financing costs and other allowances as appropriate.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as issued by the IASB and applicable law.

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy, at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Responsibility Statement of the Directors' in respect of the Consolidated Annual Report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as issued by the IASB, give a true and fair view of the assets, liabilities, financial position and loss of the Group and the undertakings included in the consolidation taken as a whole and comply with the Companies (Guernsey) Law, 2008; and
- the Report of the Directors includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties it faces.

THIS SECTION IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt about the contents of this section of the document or the action you should take, you are recommended to seek immediately your own personal financial advice from an appropriately qualified independent adviser authorised pursuant to the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all your shares in the Company, please send this document (including the Notice of AGM) and the accompanying documents at once to the purchaser, transferee, or to the stockbroker, bank or other person through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. However, such documents should not be distributed, forwarded or transmitted in or into the United States, Canada, Australia or Japan or into any other jurisdiction if to do so would constitute a violation of applicable laws and regulations in such other jurisdiction.

Ordinary Resolutions 1 – 10

Ordinary Resolutions 1 – 10 are being proposed to approve the ordinary business of the Company to: (i) appoint a Chairman for the Meeting; (ii) to consider and approve the consolidated annual report and the remuneration report of the Company for the year ended 31 March 2013; (iii) to re-elect the Directors; and (iv) to re-appoint the Auditors and to authorise the Directors to determine the Auditors' remuneration.

Ordinary Resolution 11 Authority to repurchase shares

The Company did not buy back any ordinary shares during the year ended 31 March 2013. The Directors currently have authority to repurchase up to 14.99% of the Company's ordinary shares and will seek annual renewal of this authority from shareholders. Any repurchase of ordinary shares will be made subject to Guernsey law and within any guidelines established from time to time by the Board and the making and timing of any repurchases will be at the absolute discretion of the Board.

Purchases of ordinary shares will only be made through the market for cash at prices below the prevailing NAV of the ordinary shares (as last calculated) where the Directors believe such purchases will enhance shareholder value. Such purchases will also only be made in accordance with the Listing Rules and Rules of the CIX which provide that the price to be paid must not be more than 5 per cent above the average market value for the ordinary shares for the five business days before the ordinary shares are purchased. Any ordinary shares purchased under this authority will be cancelled.

The Board considers that the renewal of the repurchase authority is in the best interests of shareholders as a whole and unanimously recommends that shareholders vote in favour of the ordinary resolution to renew the authority to repurchase the ordinary shares of the Company, which is to be proposed at the AGM.

Special Resolution 1 Authority to disapply pre-emption rights

The Directors require specific authority from shareholders before allotting new ordinary shares for cash (or selling shares out of treasury for cash) without first offering them to existing shareholders in proportion to their holdings. Special Resolution 1 empowers the Directors to allot new ordinary shares for cash or to sell ordinary shares held by the Company in treasury for cash, otherwise than to existing shareholders on a pro-rata basis, up to an amount of 35,592,128 ordinary shares, or such other number of ordinary shares being equal to 10 per cent of the ordinary shares in issue on 12 September 2013.

This authority will expire on the earlier of the conclusion of the AGM of the Company in 2014 or on the expiry of 15 months from the passing of Special Resolution 1.

The Board considers that the proposal to disapply pre-emption rights as described above is in the best interests of shareholders as a whole and unanimously recommends that shareholders vote in favour of the special resolution relating to the disapplication of pre-emption rights which is to be proposed at the AGM.

Andrew Sykes

Chairman

15 July 2013

Harry Dick-Cleland

Director

15 July 2013

Remuneration Report

The Company's Articles of Incorporation currently limit the aggregate fees payable to the Board of Directors to a total of £250,000 per annum. Subject to this overall limit, it is the Board's policy to determine the level of Directors' fees having regard to the fees payable to non-executive directors in the industry generally, the role that individual Directors fulfil in respect of Board and Committee responsibilities, and time committed to the Company's affairs.

Directors receive a base fee of £22,500 per annum, and the Chairman receives £37,500 per annum. The Chairman of the Audit Committee receives an additional fee of £5,000 and members of the Transaction Committee each receive an additional fee of £5,000 reflecting their additional responsibilities and workload.

No Director past or present has any entitlement to pensions, and the Company has not awarded any share options or long-term performance incentives to any of them. No element of Directors' remuneration is performance-related.

The Board believes that the principles of Section D of the UK Corporate Governance Code relating to remuneration do not apply to the Company, except as outlined above, as the Company has no executive Directors.

No Director has a service contract with the Company, however, Directors have a letter of appointment with the Company. The Directors' terms of appointment are available for inspection at the Company's registered office address during normal business hours and at the AGM.

All Directors are appointed for an initial term covering the period from the date of their appointment until the first AGM thereafter, at which they are required to stand for election in accordance with the Articles of Association. When recommending whether an individual Director should seek re-election, the Board will take into account the provisions of the UK Corporate Governance Code, including the merits of refreshing the Board and its Committees.

The Board has approved a policy that all Directors will stand for re-election annually.

Performance

The performance of the Company is described on page 17 in the Director's Report.

The following amounts were paid by the Company for services as non-executive Directors:

Director	Annual fee
Andrew Sykes (Chairman)	37,500
Keith Goulborn	22,500
Harry Dick-Cleland*#	32,500
David Warr*	27,500
Peter Atkinson*	27,500
John Frederiksen	22,500
	170,000

* Member of the Transaction Committee (see page 25)

Chairman of the Audit Committee

Additional fees were paid in the year ended 31 March 2012 of £60,000 in relation to significant additional work caused by change of Investment Manager and the merger approach from Picton Property Income Limited resulting in total Directors' fees of £230,000 for the year ended 31 March 2012.

The information in the above table has been audited (see Independent Auditor's Report on page 44).

Andrew Sykes

Chairman

15 July 2013

Harry Dick-Cleland

Director

15 July 2013

Corporate Governance

The Directors are committed to maintaining high standards of corporate governance. Insofar as the Directors believe it to be appropriate and relevant to the Company, it is their intention that the Company should comply with best practice standards for the business carried on by the Company.

On 1 January 2012, the Guernsey Financial Services Commission's (the 'GFSC') Finance Sector Code of Corporate Governance (the 'Code') came into effect. The GFSC have stated in the Code that companies which report against the UK Corporate Governance Code or the Association of Investment Companies Code of Corporate Governance (the 'AIC Code') are deemed to meet the Code, and need take no further action.

The Board has considered the principles and recommendations of the AIC Code by reference to the AIC Corporate Governance Guide for investment companies (the 'AIC Guide'). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to shareholders. Copies of the AIC Code and the AIC Guide can be found at www.theaic.co.uk.

It is the Board's intention to continue to comply with the AIC Code.

Statement of Compliance

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below.

The UK Corporate Governance Code includes provisions relating to:

- the role of the chief executive;
- executive directors' remuneration; and
- the internal audit function.

For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the Board considers these provisions are not relevant to the Company, being an externally managed investment company. The Company has therefore not reported further in respect of these provisions.

Role of the Board

The Board has determined that its role is to consider and determine the following principal matters which it considers are of strategic importance to the Company:

- the overall objectives of the Company as described under the paragraph above headed 'Investment Policy and Strategy' and the strategy for fulfilling those objectives within an appropriate risk framework in light of market conditions prevailing from time to time;
- the capital structure of the Company including consideration of an appropriate policy for the use of borrowings both for the Company and in any joint ventures in which the Company may invest from time to time;
- the appointment of the Investment Manager, Administrator and other appropriately skilled service providers and to monitor their effectiveness through regular reports and meetings; and
- the key elements of the Company's performance including NAV growth and the payment of dividends.

Board Decisions

The Board makes decisions on, among other things, the principal matters set out under the paragraph above headed 'Role of the Board'. Issues associated with implementing the Company's strategy are generally considered by the Board to be non-strategic in nature and are delegated either to the Investment Manager or the Administrator, unless the Board considers there will be implementation matters significant enough to be of strategic importance to the Company and should be reserved to the Board. Generally these are defined as:

- large property decisions affecting 10% or more of the Company's assets;
- large property decisions affecting 5% or more of the Company's rental income; and
- decisions affecting the Company's financial borrowings.

Corporate Governance

Board performance evaluation

As in prior years, the Board has undertaken a review of its performance. This review concluded that the Board was operating effectively and that the Directors had the breadth of skills required to fulfil their role.

Non-Executive Directors, rotation of Directors and Directors' tenure

The UK Corporate Governance Code recommends that Directors should be appointed for a specified period. The Board has resolved in this instance that Directors' appointments need not comply with this requirement as all Directors are non-executive and their respective appointments can be terminated at any time without penalty.

The Board has approved a policy that all Directors will stand for re-election annually.

The Board has determined that all the Directors are independent of the Investment Manager. Keith Goulborn has agreed to be the Senior Independent Director.

Board composition

The Directors of the Company have all been in office for periods between seven and nine years. Given the significant changes and challenges of the last two years, the Board felt that continuity was important and did not therefore seek to make changes at Board level during this period. While it is the Board's view that all the Directors remain independent in character and judgement, notwithstanding their tenure, it is the Board's intention to identify successors for two members of the Board in the course of the coming year in order to bring the benefit of fresh perspectives and to complement the experience of the continuing Directors. Further announcements will be made in due course, once the recruitment process is complete.

Board Committees

Audit Committee

The Audit Committee is chaired by Harry Dick-Cleland with Andrew Sykes, Keith Goulborn, John Frederiksen, David Warr and Peter Atkinson as members. The Board considers that Harry Dick-Cleland's experience makes him suitably qualified to chair the Audit Committee. The Audit Committee meets no less than twice a year and, if required, meetings can also be attended by the Investment Manager, the Administrator and the Auditors.

The Audit Committee is responsible for reviewing the half-year and annual financial statements before their submission to the Board. In addition, the Audit Committee is specifically charged under its terms of reference to advise the Board on the terms and scope of the appointment of the Auditors, including their remuneration, independence, objectivity and reviewing with the Auditors the results and effectiveness of the audit.

During the year, the Auditors were involved in reviewing the interim financial statements. A nominated representative of the Committee met with the Company's valuer to discuss the scope and conclusions of their work.

Nomination Committee

The Nomination Committee is chaired by Andrew Sykes with all other Directors as members. The Nomination Committee did not meet in the course of the year.

Remuneration Committee

As all the Directors are non-executives, the Board has resolved that it is not appropriate to have a Remuneration Committee.

Transactions Committee

The members of the Transactions Committee are Peter Atkinson, Harry Dick-Cleland and David Warr, with the Chairman elected at each meeting. The Transactions Committee reviews transactions between regular scheduled Board meetings where a Board approval is required. All transaction proposals are circulated to all Directors in advance of meetings of the Transactions Committee, together with a recommendation and explanatory note from the Investment Manager. All Board members may comment in advance of the Transactions Committee meeting, but only those attending will consider the proposal. Transactions are noted subsequently at regular quarterly Board meetings. The members of the Transactions Committee are each paid a fee of £5,000 per annum, in addition to their fees as Directors.

Corporate Governance

Board Meetings and Attendance

The Board meets at least four times each year. Additional meetings are also arranged as required and regular contact between Directors, the Investment Manager and the Administrator is maintained throughout the year. Representatives of the Investment Manager and Company Secretary attend each meeting and other advisers also attend when requested to do so by the Board.

Attendance at the four quarterly Board and two six-monthly Audit Committee meetings during the year under review is set out in the table below.

	Board	Audit Committee
Andrew Sykes (Chairman)	4	2
Keith Goulborn	4	2
Harry Dick-Cleland	4	2
David Warr	4	2
Peter Atkinson	4	2
John Frederiksen	4	2
No. of meetings during the year	4	2

In addition to its regular quarterly meetings, the Board met on nine other occasions during the year, although it was not possible for all Directors to attend all these meetings.

Information Flows

All Directors receive, in a timely manner, relevant management, regulatory and financial information and are provided, on a regular basis, with key information on the Company's policies, regulatory requirements and internal controls. The Board receives and considers reports regularly from the Investment Manager and other key advisers and ad hoc reports and information are supplied to the Board as required.

Directors' and Officers' Liability Insurance

During the year, the Company has maintained insurance cover for its Directors under a liability insurance policy.

Relations with Shareholders

The Board believes that the maintenance of good relations with both institutional and retail shareholders is important for the long-term prospects of the Company. The Board receives feedback on the views of shareholders from its corporate broker and the Investment Manager. Through this process the Board seeks to monitor the views of shareholders and to ensure an effective communication programme.

The Board believes that the Annual General Meeting provides an appropriate forum for investors to communicate with the Board, and encourages participation. The Notice of Meeting on page 46 sets out the business of the meeting.

Internal Control

The Code requires the Board to conduct, at least annually, a review of the adequacy of the Company's systems of internal control, and to report to shareholders that it has done so. The Board has approved a detailed Risk Map identifying significant strategic, investment-related, operational and service provider-related risks and has in place a monitoring system to ensure that risk management and all aspects of internal control are considered on a regular basis, and fully reviewed at least annually. The monitoring system assists in determining the nature and extent of the significant risks the Board is willing to take in achieving its strategic objectives.

The Company's system of internal controls is substantially reliant on the Investment Manager's and the Administrator's own internal controls and internal audit processes due to the relationships in place.

Although the Board believes that it has a robust framework of internal controls in place, this can provide only reasonable and not absolute assurance against material financial misstatement or loss and is designed to manage, not eliminate, risk.

Corporate Social Responsibility – benefits, risks and controls

The Board agrees with the Investment Manager that corporate social responsibility remains key to long term future business success.

Corporate Governance

The Investment Manager states in its Responsible Property Investment Policy:

'The changes in markets as a consequence of environmental and social issues are simply investment risks that Schroders must understand to protect our clients' assets from depreciation.

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 well-being, and contribute to the prosperity of a location through building design and management. 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 presents new challenges and opportunities for the property industry with profound implications for both owners and occupiers.

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

A full copy of Schroders' policy is available on request.'

The Company is currently an Information Declarer within Phase I of the CRC Energy Efficiency Scheme (the 'CRC Scheme'), legislation that requires full participants to report annual carbon emissions and purchase equivalent allowances. The Company's portfolio is too small to be a full participant and is not expected to breach the size threshold that would otherwise require registration for Phase II of the CRC Scheme and the purchase of allowances. The Investment Manager will continue to monitor the Company's energy usage and developments in the legislation.

The Board and its advisors will also review the Government's guidance in relation to the mandatory reporting of greenhouse gas emissions for UK quoted companies that are expected to come into effect from 1 October 2013.

Consolidated Statement of Comprehensive Income

		For the year ended 31 March 2013 £000	For the year ended 31 March 2012 £000
	Notes		
Rental income		22,598	24,955
Other income	4	652	1,684
Property operating expenses	5	(2,998)	(2,491)
Net rental and related income		20,252	24,148
Profit on disposal of investment property		3,066	2,706
Net valuation loss on investment property	12	(20,797)	(5,885)
Expenses			
Investment management fee	3	(1,937)	(3,041)
Valuers' and other professional fees		(903)	(1,113)
Administrators and accounting fee	3	(120)	(301)
Auditor's remuneration	6	(139)	(146)
Directors' fees	7	(170)	(230)
Other expenses	7	(291)	(417)
Transaction costs	7	–	(1,338)
Total expenses		(3,560)	(6,586)
Net operating (loss)/profit before net finance costs		(1,039)	14,383
Interest receivable		9	104
Finance costs payable	8	(9,436)	(10,862)
Swap break costs: portion of swap previously recognised in profit and loss	17	(6,107)	–
Swap break costs: portion of swap previously recognised in equity	17	(2,138)	–
Finance costs: Ineffective portion of changes in fair value of swap	17	7,561	(3,667)
Net finance costs		(10,111)	(14,425)
Share of profit of associates and joint ventures	13	376	12,125
(Loss)/profit before taxation		(10,774)	12,083
Taxation	9	207	(1,050)
(Loss)/profit for the year attributable to the equity holders of the parent		(10,567)	11,033
Other comprehensive income: Effective portion of changes in fair value of swap	17	1,491	449
Net change in fair value of swap reclassified to profit and loss	17	2,138	–
Total comprehensive (loss)/income for the year attributable to the equity holders of the parent		(6,938)	11,482
Basic and diluted (loss)/earnings per share	10	(3.0p)	3.1p

All items in the above statement are derived from continuing operations.

The accompanying notes 1 to 24 form an integral part of the financial statements.

Consolidated Statement of Financial Position

		31 March 2013 £000	31 March 2012 £000
	Notes		
Investment in associates and joint ventures	13	3,480	14,787
Loans to associates and joint ventures	13	1,223	1,240
Total investment and loans in associates and joint ventures		4,703	16,027
Investment property	12	251,306	320,888
Non-current assets		256,009	336,915
Trade and other receivables	14	8,639	9,580
Taxation receivable		117	–
Cash and cash equivalents	15	42,914	52,462
Current assets		51,670	62,042
Total assets		307,679	398,957
Issued capital and reserves	16	160,513	179,979
Equity		160,513	179,979
Interest-bearing loans and borrowings	17	125,042	183,258
Interest rate swaps	17	15,218	26,407
Non-current liabilities		140,260	209,665
Trade and other payables	18	6,906	8,570
Taxation payable		–	743
Current liabilities		6,906	9,313
Total liabilities		147,166	218,978
Total equity and liabilities		307,679	398,957
Net Asset Value per Ordinary Share	19	45.1p	50.6p

The financial statements on pages 28 to 43 were approved at a meeting of the Board of Directors held on 15 July 2013 and signed on its behalf by:

Andrew Sykes

Chairman

Harry Dick-Cleland

Director

The accompanying notes 1 to 24 form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

	Notes	Share premium £000	Hedge reserve £000	Revenue reserve £000	Total £000
Balance as at 31 March 2011		110,305	(6,256)	76,976	181,025
Profit for the year		–	–	11,033	11,033
Change in fair value of swap taken to equity			449	–	449
Dividends paid	11	–	–	(12,528)	(12,528)
Balance as at 31 March 2012		110,305	(5,807)	75,481	179,979
Loss for the year		–	–	(10,567)	(10,567)
Change in fair value of swap taken to equity		–	1,491	–	1,491
Net change in fair value of swap reclassified to profit and loss		–	2,138	–	2,138
Dividends paid	11	–	–	(12,528)	(12,528)
Balance as at 31 March 2013		110,305	(2,178)	52,386	160,513

Total comprehensive loss for the year was £6,938,000 (2012: £11,482,000 profit).

The accompanying notes 1 to 24 form an integral part of the financial statements.

Consolidated Statement of Cash Flows

		For the year ended 31 March 2013 £000	For the year ended 31 March 2012 £000
Operating activities	Notes		
(Loss)/profit for the year		(10,567)	11,033
Adjustments for:			
Profit on disposal of investment property		(3,066)	(2,706)
Net valuation loss on investment property		20,797	5,885
Share of profit of associates and joint ventures		(376)	(12,125)
Net finance cost		10,111	14,426
Taxation		(207)	1,050
Operating profit before changes in working capital		16,692	17,563
Decrease in trade and other receivables		941	926
Decrease in trade and other payables		(986)	(625)
Cash generated from operations		16,647	17,864
Finance costs paid		(9,329)	(10,291)
Swap break costs		(8,245)	–
Interest received		9	104
Tax paid		(653)	(680)
Cash flows from operating activities		(1,571)	6,997
Investing Activities			
Proceeds from sale of investment property		53,567	24,443
Cash disposed on sale on investment property company		–	(102)
Proceeds from sale of investment in associate		11,700	–
Acquisition of investment property		–	(21,320)
Additions to investment property		(1,716)	(1,752)
Cash flows from investing activities		63,551	1,269
Financing Activities			
Repayment of loan	17	(59,000)	–
Dividends paid	11	(12,528)	(12,528)
Cash flows from financing activities		(71,528)	(12,528)
Net decrease in cash and cash equivalents for the year		(9,548)	(4,262)
Opening cash and cash equivalents		52,462	56,724
Closing cash and cash equivalents		42,914	52,462

The accompanying notes 1 to 24 form an integral part of the financial statements.

Notes to the Financial Statements

1. Significant accounting policies

Schroder Real Estate Investment Trust Limited ('the Company') is a closed-ended investment company registered in Guernsey. The consolidated financial statements of the Company for the year ended 31 March 2013 comprise the Company, its subsidiaries and its interests in associates and joint ventures (together referred to as the 'Group').

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') issued by, or adopted by, the International Accounting Standards Board (the 'IASB'), and interpretations issued by the International Financial Reporting Interpretations Committee. The financial statements give a true and fair view and are in compliance with the Companies (Guernsey) Law, 2008, applicable legal and regulatory requirements and the Listing Rules of the UK Listing Authority.

Basis of preparation

The financial statements are presented in sterling, rounded to the nearest thousand. They are prepared on the historical cost basis except that investment property, investment property under development and derivative financial instruments are stated at their fair value.

The accounting policies have been consistently applied to the results, assets, liabilities and cash flows of the entities included in the consolidated financial statements and are consistent with those of the previous year.

Going concern

The Directors have examined significant areas of possible financial risk including cash and cash requirements and the debt covenants, in particular the loan to value covenant and interest cover ratio on the newly refinanced loan with Canada Life that has 80% of the loan maturing in 15 years and 20% maturing in 10 years. They have not identified any material uncertainties which would cast significant doubt on the Group's ability to continue as a going concern for a period of not less than twelve months from the date of the approval of the financial statements. The Directors have satisfied themselves that the Group has adequate resources to continue in operational existence for the foreseeable future. After due consideration, the Board believes it is appropriate to adopt the going concern basis in preparing the financial statements.

Use of estimates and judgements

The preparation of financial statements in conformity with IFRS 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 period in which the estimates are revised and in any future periods affected.

The most significant judgements made in preparing these financial statements relate to the carrying value of investment properties and investment properties under development which are stated at market value. The Group uses external professional valuers to determine the relevant amounts. Judgements made by management in the application of IFRS 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.

Basis of consolidation

Subsidiaries

The consolidated financial statements comprise the accounts of the Company and all of its subsidiaries drawn up to 31 March each year. Subsidiaries are those entities, including special purpose entities, controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Where properties are acquired by the Group through corporate acquisitions but the acquisition does not meet the definition of a business combination, the acquisition has been treated as an asset acquisition.

Associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of these entities on an equity accounted basis, from the date that significant influence commences to the date that significant influence ceases. When the Group's share of losses exceeds its interest in an entity, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations for the losses, or is making payments on behalf of an entity.

Joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include the Group's share of recognised gains and losses of jointly controlled entities on an equity accounted basis. When the Group's share of losses exceeds its interest in an entity, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or is making payments on behalf of an entity.

Transactions eliminated on consolidation

Intra-group balances and any gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Losses are eliminated in the same way as gains but only to the extent that there is no evidence of impairment.

Notes to the Financial Statements

Investment property and Investment property under development

Investment property is land and buildings held to earn rental income together with the potential for capital growth. Investment property under development is property being constructed or developed for future use as investment property.

Acquisitions and disposals are recognised on unconditional exchange of contracts. Acquisitions are initially recognised at cost, being the fair value of the consideration given, including transaction costs associated with the investment property.

After initial recognition, investment properties and investment property under development are measured at fair value, with unrealised gains and losses recognised in profit and loss. Realised gains and losses on the disposal of properties are recognised in profit and loss. Fair value is based on the market valuations of the properties as provided by a firm of independent chartered surveyors, at the reporting date. Market valuations are carried out on a quarterly basis.

As disclosed in note 21, the Group leases out all owned properties on operating leases. A property held under an operating lease is classified and accounted for as an investment property where the Group holds it to earn rentals, capital appreciation, or both. Any such property leased under an operating lease is classified as an investment property and carried at fair value.

Financial instruments

Non-derivative financial instruments

Assets

Non-derivative financial instruments comprise trade and other receivables and cash and cash equivalents. These are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method less any impairment losses.

Cash and cash equivalents

Cash at bank and short-term deposits that are held to maturity are carried at cost. Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value. For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash in hand and short-term deposits at banks with a term of no more than three months.

Liabilities

Non-derivative financial instruments comprise loans and borrowings and trade and other payables.

Loans and borrowings

Borrowings are recognised initially at fair value of the consideration received, less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the profit and loss over the period of the borrowings on an effective interest basis.

Trade and other payables

Trade and other payables are stated at cost.

Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to interest rate fluctuations. It is not the Group's policy to trade in derivative financial instruments.

Cash flow hedges

Cash flow hedges are used to hedge the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction.

Derivative financial instruments are recognised initially at fair value and are subsequently re-measured and stated at fair value. Fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the reporting date. Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in equity via the Consolidated Statement of Comprehensive Income to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit and loss.

On maturity or early redemption of the hedged item the realised gains or losses arising are taken to profit and loss, with an associated transfer from the amounts recognised in other comprehensive income in respect of unrealised gains or losses arising in the fair value of the same arrangement.

Share capital

Ordinary shares are classified as equity.

Dividends

Dividends are recognised in the period in which they are declared.

Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in the profit and loss.

Notes to the Financial Statements

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the profit and loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the profit and loss.

Provisions

A provision is recognised in the Consolidated Statement of Financial Position when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Rental income

Rental income from investment properties is recognised on a straight-line basis over the term of ongoing leases and is shown gross of any UK income tax. Lease incentives are spread evenly over the lease term.

Finance income and expenses

Finance income comprises interest income on funds invested and gains on hedging instruments that are recognised in the profit and loss. Interest income is recognised on an accruals basis.

Finance expenses comprise interest expense on borrowings, and losses on hedging instruments that are recognised in profit and loss. Attributable transaction costs incurred in establishing the Group's credit facilities are deducted from the fair value of borrowings on initial recognition and are amortised over the lifetime of the facilities through profit and loss. Finance expenses are accounted for on an effective interest basis.

Expenses

All expenses are accounted for on an accruals basis. The investment management and administration fees and all other expenses are charged through profit and loss.

Taxation

The Company and its subsidiaries are subject to UK income tax on any income arising on investment properties, after deduction of debt financing costs and other allowable expenses.

Income tax on the profit or loss for the year comprises current tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Segmental reporting

The Directors are of the opinion that the Group is engaged in a single segment of business, being property investment and in one geographical area, the United Kingdom.

2. New standards and interpretations

There are no IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 April 2012 that had a material impact on the Group.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 April 2012 and not early adopted

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 April 2015.

IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 April 2013.

Notes to the Financial Statements

IFRS 11 'Joint Arrangements' establishes principles for financial reporting by parties to a joint arrangement. It is concerned principally with both the structure of the arrangement and that an entity had a choice of accounting treatment for interests in jointly controlled entities. IFRS11 requires that joint ventures be accounted for using the equity method. The Group is yet to assess IFRS 11's full impact and intends to adopt IFRS 11 no later than the accounting period beginning on or after 1 April 2013.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 April 2013.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Group is yet to assess IFRS 13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 April 2013.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

3. Material agreements

Schroder Property Investment Management Limited is the Investment Manager to the Company.

The Investment Manager is entitled to a fee together with reasonable expenses incurred in the performance of its duties. The fee is payable monthly in arrears and shall be an amount equal to one twelfth of the aggregate of 1.1% of the NAV of the Company. The Investment Management Agreement can be terminated by either party on not less than twelve months written notice or on immediate notice in the event of certain breaches of its terms or the insolvency of either party.

The total charge to profit and loss during the year was £1,937,000 (2012: £3,041,000, of which £2,641,000 was paid to Invista Real Estate Investment Management ('IREIM') for the period from 1 April 2011 to 12 January 2012 and £400,000 to Schroders for the period from 13 January 2012 to 31 March 2012). At the year end £152,000 (2012: £309,000) was outstanding.

The Board appointed Northern Trust International Fund Administration Services (Guernsey) Limited as the Administrator to the Company with effect from 25 July 2007. The Administrator is entitled to an annual fee equal to £120,000 (2012: £120,000) of which £30,000 (2012: £30,000) was outstanding at the year end. Up to 13 January 2012, IREIM was also paid £181,000 for accounting services to the Company.

4. Other income

	31 March 2013 £000	31 March 2012 £000
Insurance rebates and commissions	314	255
Dilapidations	251	698
Surrender premia	32	714
Miscellaneous income	55	17
	652	1,684

The Group is obliged to arrange insurance on the majority of its property assets for which it receives a commission, which is stated net of any fees payable to insurance brokers.

5. Property operating expenses

	31 March 2013 £000	31 March 2012 £000
Agents' fees	155	127
Repairs and maintenance	74	119
Advertising	39	69
Rates – vacant	791	1,008
Security	156	74
Insurance	91	71
Service charge and utilities on vacant units	856	628
Ground rent	133	140
Bad debt provision	565	255
Other	138	–
	2,998	2,491

Notes to the Financial Statements

6. Auditor's remuneration

The total expected audit fees for the year are £126,000 (2012: £133,370) and £13,000 (2012: £12,600) for the half year review of the financial statements.

7. Other expenses and Directors' fees

Other expenses

	31 March 2013 £000	31 March 2012 £000
Directors' and officers' insurance premium	(15)	36
Regulatory costs	42	47
Marketing	30	36
Professional fees	83	24
Other expenses	151	274
	291	417

Directors' fees

Directors are the only officers of the Company and its subsidiaries and there are no other key personnel.

The Directors' annual remuneration for services to the Group was £170,000 (2012: £170,000). There were no additional fees paid to the Directors during the year (2012: £60,000).

Transaction costs

There were no one off transaction costs in the year. In 2012 one off transaction costs of £1,338,000 were incurred due to the change of investment manager and the Picton merger proposal, comprising a £320,000 termination fee paid to Invista Real Estate Investment Management, a £200,000 transition fee paid to Schroders and £818,000 of other professional fees.

8. Finance costs payable

	31 March 2013 £000	31 March 2012 £000
Interest payable	8,216	9,820
Debt fees	1,220	1,042
	9,436	10,862

9. Taxation

	31 March 2013 £000	31 March 2012 £000
Tax (credit)/expense in year	(207)	1,050
Reconciliation of effective tax rate		
(Loss)/profit before tax	(10,774)	12,083
Effect of:		
Income tax using UK income tax rate of 20%	(2,155)	2,417
Revaluation loss not taxable	4,159	1,177
Share of profit of associates and joint ventures not taxable	(76)	(2,425)
Profit on disposal of investment property not taxable	(613)	(541)
Changes in fair value (gain)/loss of ineffective swaps where no deferred tax has been recognised	(1,512)	733
Swap break costs not taxable	1,649	–
Utilisation of capital allowance, effect of different tax rates in subsidiaries and other adjustments	(1,323)	(1,081)
Adjustments in respect of prior periods	(336)	770
Current tax credit/(expense) in the year	(207)	1,050

The Company and its Guernsey registered subsidiaries have obtained exempt company status in Guernsey under the terms of the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 so that they are exempt from Guernsey taxation on income arising outside Guernsey and on bank interest receivable in Guernsey. Each company is, therefore, only liable for a fixed fee of £600 per annum. The Directors intend to conduct the Group's affairs such that they

Notes to the Financial Statements

continue to remain eligible for exemption. However, the Board is aware that corporate tax rates in Guernsey may be altered and will review the Group's potential liability to Guernsey tax with reference to any possible changes.

Cumulative tax losses of £15 million (2012: £20 million) have been carried forward and are available for use against future taxable profits. No deferred tax has been recognised in the financial statements as it is not probable that it will be utilised in the foreseeable future.

The tax treatment of one past transaction challenged by HM Revenue & Customs has now concluded. The current year tax income of £207,000 includes £336,000 in relation to tax rebates and release of provisions from prior years (2012: tax expense of £1,050,000, includes £770,000 provision relating to prior periods).

10. Basic and diluted (loss)/earnings per share

Earnings per share

The basic and diluted earnings per share for the Group is based on the net loss for the year of £10,567,000 (2012: profit £11,033,000) and the weighted average number of Ordinary Shares in issue during the year of 355,921,281 (2012: 355,921,281).

EPRA earnings reconciliation

	31 March 2013 £000	31 March 2012 £000
(Loss)/profit after tax	(10,567)	11,033
Adjustments to calculate EPRA Earnings exclude:		
Profit on disposal of investment property	(3,066)	(2,706)
Net valuation loss on investment property	20,797	5,885
Share of profit on associates and joint ventures	(376)	(12,125)
Movement in fair value of swaps	(7,561)	3,667
Swap break costs	8,245	0
EPRA earnings	7,472	5,754
Weighted average number of Ordinary shares	355,921,281	355,921,281
EPRA earnings per share (pence per share)	2.1	1.6

European Public Real Estate Association ('EPRA') earnings per share reflect the underlying performance of the company calculated in accordance with the EPRA guidelines.

11. Dividends paid

In respect of	No. of Ordinary Shares	Rate (pence)	31 March 2013 £000
Quarter 31 March 2012 dividend paid 18 May 2012	355.92 million	0.88	3,132
Quarter 30 June 2012 dividend paid 17 August 2012	355.92 million	0.88	3,132
Quarter 30 September 2012 dividend paid 16 November 2012	355.92 million	0.88	3,132
Quarter 31 December 2012 dividend paid 22 February 2013	355.92 million	0.88	3,132
		3.52	12,528
In respect of	No. of Ordinary Shares	Rate (pence)	31 March 2012 £000
Quarter 31 March 2011 dividend paid 13 May 2011	355.92 million	0.88	3,132
Quarter 30 June 2011 dividend paid 19 August 2011	355.92 million	0.88	3,132
Quarter 30 September 2011 dividend paid 25 November 2011	355.92 million	0.88	3,132
Quarter 31 December 2011 dividend paid 17 February 2012	355.92 million	0.88	3,132
		3.52	12,528

A dividend for the quarter ended 31 March 2013 of 0.88 pence (£3,132,000) was declared on 24 April 2013 and paid on 24 May 2013.

Notes to the Financial Statements

12. Investment property

	Leasehold £000	Freehold £000	Total £000
At valuation as at 31 March 2011	47,980	277,315	325,295
Additions	15,774	7,298	23,072
Disposals	(15,774)	(5,820)	(21,594)
Net valuation loss on investment property	(526)	(5,359)	(5,885)
At valuation as at 31 March 2012	47,454	273,434	320,888
Additions	126	1,590	1,716
Disposals	–	(50,501)	(50,501)
Net valuation loss on investment property	(8,187)	(12,610)	(20,797)
Amounts recognised as investment property as at 31 March 2013	39,393	211,913	251,306

Fair value of investment properties as determined by the valuers totals £258,580,000 (2012: £328,765,000). Of this amount £7,274,000 (2012: £7,877,000) is included within trade and other receivables in connection with lease incentives.

The fair value of investment property has been determined by Knight Frank LLP, a firm of independent chartered surveyors, who are registered independent appraisers. Fair values were determined in accordance with the RICS Red Book.

The Group owned one non-income generating site during the year (2012: two). Direct operating expenses relating to this site were £28,378 (2012: £78,651).

13. Investment in associates and joint ventures

The Group has interests in two associates and joint ventures.

Crendon – the Group has a 50% interest in Crendon Industrial Partnership Limited which is classified as a joint venture due to the Company sharing the control with another investor. The Group originally provided a loan of £2,150,000 to the Partnership which was partially impaired following the fall in property values. A further £17,000 of this loan has been impaired this year (2012: £50,000 impairment reversal) following a decrease in the NAV. The debt has been extended until July 2013, and extension for a further 2 years has been offered by the debt provider.

Merchant – the Group has a 19.49% interest in Merchant Property Unit Trust which is classified as an investment in an associate due to the Company having the ability to exert significant influence through its unit-holding and the associated agreements.

Plantation Place – this investment was sold in the year giving rise to net proceeds of £11.7 million.

The table below shows the changes in investment in and loans to joint ventures and associates.

	£000
Opening balance as at 1 April 2011	3,902
Share of profits in year	12,125
Closing balance as at 31 March 2012	16,027
Sale of Plantation Place	(11,700)
Share of profits in year	376
Closing balance as at 31 March 2013	4,703

	Plantation Place £000	Other joint ventures and associates £000	Total £000
As at 31 March 2013			
Summarised financial information not adjusted for the Group's share			
Total assets	–	69,821	69,821
Total liabilities ¹	–	49,509	49,509
Revenues for year	–	4,812	4,812
Total comprehensive income	–	1,997	1,997
Net asset value attributable to Group	–	3,480	3,480
Loans due to Group	–	1,223	1,223
Total asset value attributable to Group	–	4,703	4,703
Total comprehensive income attributable to the Group	–	376	376

¹Liabilities that are non-recourse to the Group

Notes to the Financial Statements

	Plantation Place £000	Other joint ventures and associates £000	Total £000
As at 31 March 2012			
Summarised financial information not adjusted for the Group's share			
Total assets	523,934	71,356	595,290
Total liabilities	483,478	53,040	536,518
Revenues for year	34,897	4,707	39,604
Profit for year	29,551	2,075	31,626
Net asset value attributable to Group	11,700	3,087	14,787
Loans due to Group	–	1,240	1,240
Total asset value attributable to Group	11,700	4,327	16,027
Profit attributable to the Group	11,700	425	12,125

14. Trade and other receivables

	31 March 2013 £000	31 March 2012 £000
Rent receivable	881	1,701
Other debtors and prepayments	7,758	7,879
	8,639	9,580

Other debtors and prepayments includes £7,274,000 (2012: £7,877,000) in respect of lease incentives.

15. Cash and cash equivalents

Included in the £42.9 million (2012: £52.5 million) is £11.2 million (2012: £11.2 million) of restricted cash held under the liquidity facility with Lloyds TSB bank. This is held in trust and under the terms of the loan agreement, can only be drawn down by the Trustee in the event of a liquidity shortfall within the Group for the sole purpose of paying the principal loan interest. This facility is described further in Note 17.

16. Issued capital and reserves

Share capital

The share capital of the Company is represented by an unlimited number of Ordinary Shares of no par value.

Issued share capital

The number of issued Ordinary Shares of the Company at the start and end of the year was 355,921,281.

17. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate risk, see note 20.

	31 March 2013		31 March 2012	
	£000	£000	£000	£000
Non-current liabilities				
Class A Secured Floating Rate Notes		36,766		62,500
Reserve Notes		77,734		111,000
Total		114,500		173,500
Less: Finance costs incurred	(5,367)		(5,367)	
Add: Amortised finance costs	4,709	(658)	3,925	(1,442)
		113,842		172,058
Liquidity facility		11,200		11,200
		125,042		183,258

In March 2005 the Group entered into a £152.5 million loan repayable in July 2014 with Real Estate Capital (Foundation) Limited, a securitisation vehicle ('the facility') which was admitted to the Official List of the Irish Stock Exchange. Securitised notes were issued at a blended margin of 20.8 basis points over LIBOR. Simultaneously a swap agreement at 5.1% was entered into with an equivalent maturity of July 2014.

Notes to the Financial Statements

At the time of the original securitisation, an additional facility of £150 million of 'reserve notes' was arranged, £111 million of which were sold in June 2007 (leaving £39 million undrawn). These were issued at a margin of 20 basis points over LIBOR and simultaneously a swap agreement at 5.71% with maturity of July 2016 was entered into.

In October 2008 the Group repaid £50 million of the original debt being £36.5 million of Class A secured floating rate notes and all the £13.5 million Class B secured floating rate notes. In January 2010 the Group repaid £40 million of the original debt of the Class A secured floating rate notes. Simultaneously, as required by the Credit Agreement, an equal amount of one of the interest rate swaps was broken.

During the year the Group repaid a total of £25.7 million of the original debt of the Class A secured floating rate notes and £33.3 million of "reserve notes", incurring a total of £8.2 million in swap break costs, resulting in the debt balance reducing to £114.5 million as at 31 March 2013.

These interest rate swaps are classified as cash flow hedges and are stated at fair value. As at 31 March 2013 the combined fair value of the swaps was a liability of £15,218,000 (2012: liability of £26,407,000). The credit in the year of £7,561,000 (2012: deficit of £3,667,000) for the ineffective portion of the swap is taken to profit and loss, with a credit of £3,629,000 (2012: credit of £449,000) for the effective portion of the swap taken to the hedge reserve in equity via other comprehensive income.

Both facilities have first charge security over all the property assets in the ring fenced Security Pool (the 'Security Pool') which at 15 April 2013 contained properties valued at £258 million (2012: £329 million) together with £24 million cash in the Property account (2012: £19 million). Assets can be sold and bought within this Security Pool without any need to revert to the Issuer or the Rating Agents up to an annual turnover rate of 20%. Various restraints apply during the term of the loan although the facilities have been designed to provide significant operational flexibility. The principal covenants however are that the loan should not comprise more than 60% of the value of the assets in the Security Pool nor should estimated rental and other income arising from assets in the Security Pool comprise less than 150% of the interest payments. The interest cover calculated in accordance with the ICR covenant was at 287% as at 31 March 2013 (31 March 2012 – 214%). The loan to value ratio as at 31 March 2013 of 32.3% was well within the covenant requirement of 60%.

At the same time as entering into these two facilities, the Group entered into a liquidity facility with Lloyds TSB Bank plc ("Lloyds") as the Liquidity Facility Provider for £11.2 million, the intention of the facility was to provide funding for liquidity shortfalls. One of the criteria of the liquidity facility was that the Liquidity Facility Provider should have a credit rating of at least AA- (long term) by Fitch or A-1 (short term) by S&P. Lloyds has been downgraded to A-1 (short term) by S&P. A consequence of this downgrade is the Group has drawn down the £11.2 million and placed it in a blocked bank account. The drawdown can be repaid when Lloyds rating returns to at least the level set out in the agreement or the terms of the liquidity facility agreement are altered.

Post year end the Group repaid the £114.5 million loan and the £11.2 million liquidity facility, incurring a total of £15.1 million in swap break costs. The Group entered into a new £129.58 million loan facility with Canada Life on 16 April 2013.

18. Trade and other payables

	31 March 2013 £000	31 March 2012 £000
Rent received in advance	4,104	4,775
Rental deposits	428	200
Other trade payables and accruals	2,374	3,595
	6,906	8,570

19. NAV per Ordinary Share

The NAV per Ordinary Share is based on the net assets of £160,513,000 (2012: £179,979,000) and 355,921,281 (2012: 355,921,281) Ordinary Shares in issue at the reporting date.

20. Financial instruments, properties and associated risks

Financial risk factors

The Group holds cash and liquid resources as well as having debtors and creditors that arise directly from its operations. The Group has entered into interest rate swap contracts which are used to limit exposure to interest rate risks, but does not have any other derivative instruments.

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

Market price risk

Rental income and the market value for properties are generally affected by overall conditions in the economy, such as changes in gross domestic product, employment trends, inflation and changes in interest rates. Changes in gross domestic product may also impact employment levels, which in turn may impact the demand for premises. Furthermore, movements in interest rates may also affect the cost of financing for real estate companies.

Both rental income and property values may also be affected by other factors specific to the real estate market, such as competition from other property owners, the perceptions of prospective tenants of the attractiveness, convenience and safety of properties, the inability to collect rents because of bankruptcy or the insolvency of tenants, the periodic need to renovate, repair and release space and the costs thereof, the costs of maintenance and insurance, and increased operating costs.

Notes to the Financial Statements

The Directors monitor the market value of investment properties by having independent valuations carried out quarterly by a firm of independent chartered surveyors.

Included in market price risk is interest rate risk which is discussed further below.

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Group. In the event of default by an occupational tenant, the Group will suffer a rental income shortfall and incur additional costs, including legal expenses, in maintaining, insuring and re-letting the property. The Investment Manager reviews reports prepared by Experian, or other sources to assess the credit quality of the Group's tenants and aims to ensure there is no excessive concentration of risk and that the impact of any default by a tenant is minimised. Details of the Groups' tenant mix are presented in the Investment Managers Report.

In respect of credit risk arising from other financial assets, which comprise cash and cash equivalents, exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments. In order to mitigate such risks, cash is maintained with major international financial institutions with high quality credit ratings. During the year and at the reporting date the Group maintained relationships with branches and subsidiaries of HSBC.

The maximum exposure to credit risk for rent receivables at the reporting date by type of sector was:

	31 March 2013 Carrying amount £000	31 March 2012 Carrying amount £000
Office	536	901
Industrial	309	447
Retail	36	353
	881	1,701

Rent receivables which are past their due date, but which were not impaired at the reporting date were:

	31 March 2013 Carrying amount £000	31 March 2012 Carrying amount £000
0-30 days	731	1,653
31-60 days	–	18
61-90 days	–	22
91 days plus	150	8
	881	1,701

This is net of bad debt provisions of £795,000 (2012: £231,000).

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting obligations associated with its financial obligations.

The Group's investments comprise UK commercial property. Property and property related assets are inherently difficult to value due to the individual nature of each property. As a result, valuations are subject to substantial uncertainty. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales price even where such sales occur shortly after the valuation date. Investments in property are relatively illiquid, however the Group has tried to mitigate this risk by investing in properties that it considers to be good quality.

In certain circumstances, the terms of the Group's debt facilities entitle the lender to require early repayment and in such circumstances the Group's ability to maintain dividend levels and the net asset value attributable to the Ordinary Shares could be adversely affected. The Investment Manager prepares cash flows on a rolling basis to ensure the Group can meet future liabilities as and when they fall due.

The following table indicates the maturity analysis of the financial liabilities.

As at 31 March 2013	Carrying amount £000	Expected Cash flows £000	6 mths or less £000	6 mths- 2 years £000	2-5 years £000	More than 5 years £000
Financial liabilities						
Interest-bearing loans and borrowings and interest	115,827	124,317	3,272	121,045	–	–
Trade and other payables	1,445	1,445	1,445	–	–	–
Total financial liabilities	117,272	125,762	4,717	121,045	–	–

Notes to the Financial Statements

As at 31 March 2012	Carrying amount £000	Expected Cash flows £000	6 mths or less £000	6 mths-2 years £000	2-5 years £000	More than 5 years £000
Financial liabilities						
Interest-bearing loans and borrowings and interest	175,532	198,188	4,938	14,813	178,437	–
Trade and other payables	1,764	1,764	1,764	–	–	–
Total financial liabilities	177,296	199,952	6,702	14,813	178,437	–

Subsequent to the year end, the Company completed a new £129.58 million loan facility with Canada Life to refinance its £114.5 million securitised loan in full, whilst breaking its remaining interest rate swaps. 80% of the loan matures in 15 years and 20% in ten years.

Interest rate risk

Exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations and to interest earned on cash balances.

A 1% increase or decrease in short-term interest rates would increase or decrease the annual income and equity by £429,000 based on the cash balance as at 31 March 2013.

A change of 1% in the swap rates would have an impact on the marked to market value of £3 million, of which £2.5 million relating to the ineffective swaps will be recognised in the profit and loss and £500,000 relating to the effective swaps be recognised in equity.

The following table indicates the periods in which the cash flows associated with the swap are expected to occur.

As at 31 March 2013	Carrying amount £000	Expected cash flows to maturity £000	6 months or less £000	6-12 months £000	1-2 years £000	2-5 years £000	More than 5 years £000
Interest rate swap	(15,218)	(15,245)	(1,663)	(2,891)	(4,890)	(5,802)	–

As at 31 March 2012	Carrying amount £000	Expected cash flows to maturity £000	6 months or less £000	6-12 months £000	1-2 years £000	2-5 years £000	More than 5 years £000
Interest rate swap	(26,407)	(26,632)	(3,538)	(3,782)	(7,391)	(11,921)	–

Subsequent to the year end, all swaps were broken when the securitised debt was repaid and a new fixed rate loan taken with Canada Life on 16 April 2013.

Fair values

The fair values of financial assets and liabilities are not materially different from their carrying values in the financial statements.

The following summarises the main methods and assumptions used in estimating the fair values of financial instruments and investment property.

Investment property

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 Group.

Derivatives

Fair value for the interest rate swap uses a broker quote. This is then tested using pricing models or discounted cash flow techniques.

The fair value hierarchy of the interest rate swap is level 2.

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).

There have been no transfers between Levels 1, 2 and 3 during the year (2012: nil).

Interest bearing loans and borrowings

Fair values are based on the amounts which are to be repaid, less any costs incurred in obtaining the borrowings. These costs are then amortised over the period of the borrowings.

Trade and other receivables/payables

All receivables and payables are deemed to be due within one year and as such the notional amount is considered to reflect the fair value.

Notes to the Financial Statements

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The objective is to ensure that it will continue as a going concern and to maximise return to its equity shareholders through appropriate level of gearing.

The Company's debt and capital structure comprises the following:

	31 March 2013 £000	31 March 2012 £000
Debt		
Securitised loan facility	114,500	173,500
Equity		
Called-up share capital	110,305	110,305
Reserves	50,208	69,674
	160,513	179,979
Total debt and equity	231,013	353,479

There were no changes in the Group's approach to capital management during the year.

21. Operating leases

The Group leases out its investment property under operating leases. At 31 March 2013 the future minimum lease receipts under non-cancellable leases are as follows:

	31 March 2013 £000	31 March 2012 £000
Less than one year	17,844	20,854
Between one and five years	55,599	60,736
More than five years	100,092	78,764
	173,535	160,354

The total above comprises the total contracted rent receivable as at 31 March 2013.

22. Related party transactions

Material agreements are disclosed in note 3. Transactions with Directors and the Investment Managers are disclosed in note 7. Transactions with joint ventures and associates are disclosed in note 13.

23. Capital commitments

At 31 March 2013 the Group had no capital commitments.

24. Post balance sheet events

On 16 April 2013 the Company announced the completion of a new £129.58 million loan facility with Canada Life to refinance its £114.5 million securitised loan in full. As a condition of the refinancing, on 16 April 2013 the Company broke its remaining interest rate swaps relating to the securitised loan, crystallising a total swap break cost of £15.1 million. This is described in note 17.

Independent auditor's report to the members of Schroder Real Estate Investment Trust Limited

We have audited the Group financial statements (the "financial statements") of Schroder Real Estate Investment Trust Limited (the "Company" and "Group") for the year ended 31 March 2013 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as issued by the IASB.

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 21, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2013 and of its loss for the year then ended;
- are in accordance with International Financial Reporting Standards as issued by the IASB; and
- comply with the Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- the Company has not kept proper accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review. We have nothing to report in respect of this review.

Deborah J. Smith
For and on behalf of KPMG Channel Islands Limited
Chartered Accountants and Recognised Auditors

15 July 2013

Glossary

Earnings per share ("EPS") is the profit after taxation divided by the weighted average number of shares in issue during the period. Diluted and Adjusted EPS per share are derived as set out under NAV.

Estimated rental value ("ERV") is the Group's external valuers' reasonable opinion as to the open market rent which, on the date of valuation, could reasonably be expected to be obtained on a new letting or rent review of a property.

Gearing is the Group's net debt as a percentage of adjusted net assets.

Group is Schroder Real Estate Investment Trust Limited and its subsidiaries.

Initial yield is the annualised net rents generated by the portfolio expressed as a percentage of the portfolio valuation.

Interest cover is the number of times Group net interest payable is covered by Group net rental income.

IPD is the Investment Property Databank Ltd, a Company that produces an independent benchmark of property returns.

Net asset value ("NAV") are shareholders' funds divided by the number of shares in issue at the period end.

NAV total return is calculated on a daily basis taking into account the timing of dividends and share buy backs and issuance.

Net rental income is the rental income receivable in the period after payment of ground rents and net property outgoings.

Reversionary yield is the anticipated yield, which the initial yield will rise to once the rent reaches the estimated rental value.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3QL Channel Islands on 12 September 2013 at 10.00 a.m.

Resolution on
Form of Proxy

Agenda

1. To elect a Chairman of the Meeting.

To consider and if thought fit, pass the following Ordinary Resolutions:

- | | | |
|------------------------|-----|--|
| Ordinary Resolution 1 | 2. | To consider and approve the Consolidated Annual Report and Financial Statements of the Company for the year ended 31 March 2013. |
| Ordinary Resolution 2 | 3. | To approve the Remuneration Report for the year ended 31 March 2013. |
| Ordinary Resolution 3 | 4. | To re-elect Mr Andrew Sykes as a Director of the Company. |
| Ordinary Resolution 4 | 5. | To re-elect Mr Harry Dick-Cleland as a Director of the Company. |
| Ordinary Resolution 5 | 6. | To re-elect Mr Peter Atkinson as a Director of the Company. |
| Ordinary Resolution 6 | 7. | To re-elect Mr John Frederiksen as a Director of the Company. |
| Ordinary Resolution 7 | 8. | To re-elect Mr Keith Goulborn as a Director of the Company. |
| Ordinary Resolution 8 | 9. | To re-elect Mr David Warr as a Director of the Company. |
| Ordinary Resolution 9 | 10. | To re-appoint KPMG Channel Islands Limited as Auditor of the Company until the conclusion of the next Annual General Meeting. |
| Ordinary Resolution 10 | 11. | To authorise the Board of Directors to determine the Auditor's remuneration. |
| Ordinary Resolution 11 | 12. | <p>That the Company be authorised, in accordance with section 315 of the Companies (Guernsey) Law, 2008, as amended (the "Companies Law"), to make market acquisitions (within the meaning of section 316 of the Companies Law) of ordinary shares in the capital of the Company ("ordinary shares"), provided that:</p> <ol style="list-style-type: none"> (a) the maximum number of ordinary shares hereby authorised to be purchased shall be 14.99% of the issued ordinary shares on the date on which this resolution is passed; (b) the minimum price which may be paid for an ordinary share shall be 0.01p; (c) the maximum price (exclusive of expenses) which may be paid for an ordinary share shall be 105% of the average of the middle market quotations on the relevant market where the repurchase is carried out for the ordinary shares for the five business days immediately preceding the date of a purchase; (d) such authority shall expire at the Annual General Meeting of the Company in 2014 unless such authority is varied, revoked or renewed prior to such date by ordinary resolution of the Company in general meeting; and (e) the Company may make a contract to purchase ordinary shares under such authority prior to its expiry which will or may be executed wholly or partly after its expiration and the Company may make a purchase of ordinary shares pursuant to any such contract. |

Notice of Annual General Meeting

To consider and if thought fit, pass the following Special Resolution:

- Special Resolution 1: 13. That the Directors of the Company be and are hereby empowered to allot ordinary shares of the Company for cash as if the pre-emption provisions contained under Article 13.1 of the Articles of Incorporation did not apply to any such allotments and to sell ordinary shares which are held by the Company in treasury for cash on a non pre-emptive basis provided that this power shall be limited to the allotment and sales of ordinary shares:
- (a) up to an amount of 35,592,128 ordinary shares, or such other number of ordinary shares being equal to 10% of the ordinary shares in issue on 12 September 2013;
 - (b) at a price of not less than the net asset value per share as close as practicable to the allotment or sale; and
 - (c) such power shall expire on the earlier of the Annual General Meeting of the Company in 2014 or on the expiry of 15 months from the passing of this Special Resolution, except that the Company may before such expiry make offers or agreements which would or might require ordinary shares to be allotted or sold after such expiry and notwithstanding such expiry the Directors may allot or sell ordinary shares in pursuance of such offers or agreements as if the power conferred hereby had not expired.
14. Close of Meeting.

By Order of the Board

For and on behalf of
Northern Trust International Fund Administration
Services (Guernsey) Limited
Secretary

15 July 2013

Notes

1. An ordinary resolution requires a simple majority of the votes cast by those shareholders voting in person or by proxy at the AGM (excluding any votes which are withheld) to be voted in favour of the resolution.
2. A special resolution requires a majority of at least 75% of the votes cast by those shareholders voting in person or by proxy at the AGM (excluding any votes which are withheld) to be voted in favour of the resolution.
3. A member who is entitled to attend and vote at the meeting is entitled to appoint one or more proxies to exercise all or any of their rights to attend, and on a poll, speak or vote instead of him or her. A proxy need not be a member of the Company. More than one proxy may be appointed provided that each proxy is appointed to exercise the rights attached to the different shares.
4. A form of proxy is enclosed for use at the meeting. The form of proxy should be completed and sent, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, so as to reach the Company's Registrars, Computershare Investor Services (Guernsey) Limited, at The Pavilions, Bridgwater Road, Bristol, BS99 6ZY at least 48 hours before the time of the AGM.
5. Completing and returning a form of proxy will not prevent a member from attending in person at the meeting and voting should he or she so wish.
6. To have the right to attend and vote at the meeting (and also for the purpose of calculating how many votes a member may cast on a poll) a member must have his or her name entered on the register of members not later than 48 hours before the time of the AGM.
7. Changes to entries in the register after that time shall be disregarded in determining the rights of any member to attend and vote at such meeting.

Corporate Information

Registered Address

Trafalgar Court
Les Banques
St. Peter Port
Guernsey GY1 3QL

Directors

Andrew Sykes (Chairman)
Keith Goulborn
John Frederiksen
Harry Dick-Cleland
David Warr
Peter Atkinson
(All Non-Executive Directors)

Investment Manager and Accounting Agent

Schroder Property Investment Management Limited
31 Gresham Street
London EC2V 7QA

Secretary and Administrator

Northern Trust International Fund Administration Services (Guernsey) Limited
Trafalgar Court
Les Banques
St. Peter Port
Guernsey GY1 3QL

Solicitors to the Company

as to English Law;	as to Guernsey Law;
Stephenson Harwood LLP	Mourant Ozannes
1 Finsbury Circus	1 Le Marchant Street
London EC2M 7SH	St. Peter Port
	Guernsey GY1 4HP

ISA/PEP status

The Company's shares are eligible for Individual Savings Accounts ('ISAs') and PEP transfers and can continue to be held in existing PEPs

Auditor

KPMG Channel Islands Limited
20 New Street
St. Peter Port
Guernsey GY1 4AN

Property Valuers

Knight Frank LLP
55 Baker Street
London W1U 8AN

Channel Islands Sponsor

Mourant Ozannes Securities Limited
1 Le Marchant Street
St. Peter Port
Guernsey GY1 4HP

UK Sponsor and Broker

J.P. Morgan Securities plc
25 Bank Street
Canary Wharf
London E14 5JP

Numis Securities Limited

10 Paternoster Square
London EC4M 7LT

Tax Advisers

Deloitte
2 New Street Square
London EC4A 3BZ

Receiving Agent and UK Transfer/Paying Agent

Computershare Investor Services (Guernsey) Limited
Queensway House
Hilgrove Street
St Helier
Jersey JE1 1ES

www.srei.co.uk



Schroders