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

Company Summary

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

On 1 May 2015 the Company converted to a Real Estate Investment Trust ('REIT') in order to benefit from the various tax advantages offered by the UK REIT regime as well as the potential for improved liquidity as a result of being able to access a wider shareholder base. The Company continues to be an authorised closed ended investment scheme registered in Guernsey.

Objective

The Company aims to provide shareholders with an attractive level of income with the potential for income and capital growth from owning and actively managing a diversified portfolio of UK commercial real estate. The current annualised level of dividend is 2.48 pence per share ('pps') and it is intended that successful execution of the investment strategy will enable a progressive dividend policy to be adopted over time.

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

Relatively low level gearing is used to enhance income and total returns for shareholders with the level dependent on the property cycle and the outlook for future returns. The current target gearing level reflects a net loan-to-value ('LTV') ratio of between 25% and 35%.

Investment strategy

The current investment strategy is to grow income and enhance shareholder returns through selective acquisitions, pro-active asset management and selling smaller, lower yielding properties on completion of asset business plans. The issuance of new shares will also be considered if it is consistent with the strategy.

Our objective is to own a portfolio of larger properties in cities and towns with diversified local economies, sustainable occupational demand and favourable supply and demand characteristics. These properties should offer good long-term fundamentals in terms of location and specification and be let at affordable rents with the potential for income and capital growth from good stock selection and asset management.

Highlights

24.4%
Net asset value total return

26.4%
Share price total return

Underlying property portfolio total return of
20.8%
compared with 17.1% for the IPD Benchmark

Declared and paid dividends amounting to
2.48p
per share ('pps')

Dividend cover of
106%

£67.2m
raised through the issuance of 127 million new Ordinary Shares at an average premium of 4.6%

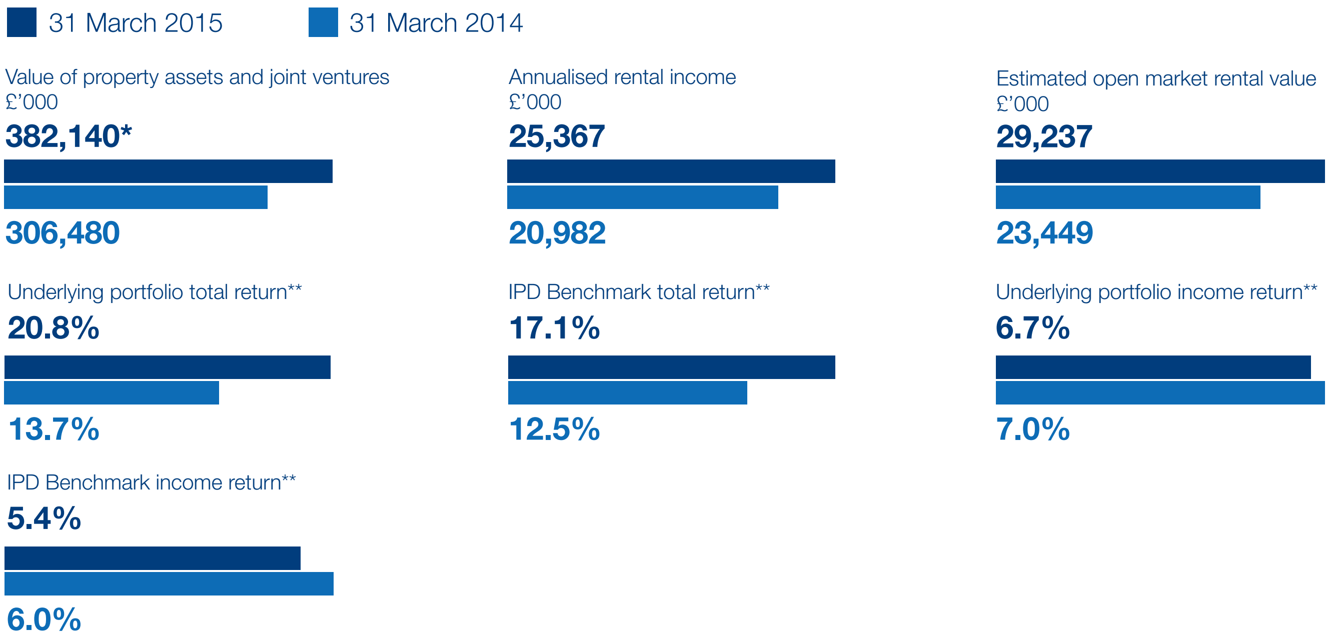
Ten disposals (including one disposal unconditionally exchanged), totalling
£73.8m
reflecting a premium to 31 March 2014 of 45%*

New equity and disposal proceeds fully invested in seven acquisitions in line with strategy totalling
£124.5m*

Converted to UK REIT status in
May 2015*

*Includes activity that has completed since the year end

PROPERTY PERFORMANCE



*Includes £2.3 million in relation to Spectrum House, Woking which unconditionally exchanged prior to 31 March 2015
**Source: IPD Benchmark including joint venture investments on a like-for-like basis as at 31 March 2015 and 31 March 2014

INVESTMENT APPROACH

1. Core income

Through the cycle approximately 50% of the portfolio will be invested in property offering secure income characteristics by having an above average lease length and tenant credit quality. The core portfolio will comprise property offering strong fundamentals in locations where rental growth is expected to be realised at rent review, or have contracted rental increases throughout the lease term. Properties offering these characteristics are likely to be where asset business plans have been completed but where the forecast future returns remain attractive. These core properties balance portfolio risk and support the Company's long term financing arrangements.

2. Asset management

Up to 50% of the portfolio will be invested in properties offering enhanced potential returns from more comprehensive asset management initiatives. These properties will generally be acquired with an above average income return, a diverse spread of lease expiries and where an attractive return can be generated by delivering specific initiatives. Examples of this would include lease extensions with tenants, repositioning assets through refurbishment or partial redevelopment and securing change of planning use.

3. Research led approach

Research is used to inform strategy and identify areas of mis-pricing across the market. Cities and towns are analysed to identify differentiated factors that could support growth. These include factors such as the local economy benefiting from being globally facing; a wealth effect from higher value businesses, industries or housing; population and jobs growth; regeneration, infrastructural investment or tourism and amenities such as a Russell Group university. The acquisition strategy then focuses on complementary property-types in locations that have all, or a blend of, these characteristics.

PERFORMANCE SUMMARY

Financial summary

	31 March 2015	31 March 2014
Net asset value ('NAV')[1]	**£299.2m**	£190.4m
NAV per Ordinary Share[1] (pence)	**57.7**	48.6
EPRA[2] NAV	**£299.2m**	£190.4m
Profit for the year	**£54.8m**	£20.9m
EPRA[2] earnings	**£12.1m**	£7.5m
Equity raised	**£67.2m**	£17.2m
Dividend cover	**106%**	75%

[1]Net Asset Value is calculated using International Financial Reporting Standards.
[2]EPRA calculations are included in the EPRA Performance measures section on page 67.

Capital values

	31 March 2015	31 March 2014
Share price (pence)	**62.3**	51.5
Share price premium to NAV	**8.0%**	5.9%
NAV total return[1]	**24.4%**	14.4%
FTSE All Share Index	**3,663.6**	3,555.6
FTSE EPRA/NAREIT UK Real Estate Index	**1,942.5**	1,595.8

[1]Net Asset Value total return calculated by Schroder Real Estate Investment Management Limited.

Earnings and dividends

	31 March 2015	31 March 2014
Earnings per share (pence)	**11.3**	5.7
EPRA earnings per share (pence)	**2.5**	2.1
Dividends paid per share (pence)	**2.48**	2.74
Annualised dividend yield on 31 March 2015 share price	**4.0%**	5.3%

Bank borrowings

	31 March 2015	31 March 2014
On-balance sheet borrowings[2]	**£129.6m**	£129.6m
Loan to value ratio, net of all cash	**22.4%**	37.8%

[2]On balance sheet borrowings reflects the loan facility with Canada Life, without deduction of finance costs.

Ongoing charges[3]

	31 March 2015	31 March 2014
Ongoing charges (including fund only expenses[4])	**1.3%**	1.6%
Ongoing charges (including fund and property expenses)	**2.8%**	4.0%

[3]Ongoing charges calculated in accordance with AIC recommended methodology issued in May 2012, as a percentage of average NAV during the year.
[4]Fund only expenses excludes all property operating expenses, valuers' and professional fees in relation to properties.

CHAIRMAN'S STATEMENT

Overview

I am pleased to report that the Company has successfully implemented its growth strategy against the backdrop of a strong UK commercial property market. This has led to improved shareholder total returns, a fully covered dividend, lower leverage and improved economies of scale.

Equity raised under the Placing Programme has been efficiently deployed into larger properties in cities and towns with diversified local economies, sustainable occupational demand and favourable supply and demand characteristics. The properties acquired in these locations also offer good long term fundamentals in terms of location and specification with the potential for above average growth and value enhancement though asset management.

The strength of the UK commercial property market is due to two principal factors; the broader based economic recovery and loose monetary policy. The UK economy grew by 2.4% over the year to 31 March 2015 with lower consumer price inflation leading to a positive contribution from household consumption and retail sales. Recovering business investment is also making a positive contribution and has benefited from the removal of uncertainty around the general election.

Loose monetary policy has increased demand for commercial property with average property yields now at 5%, and yields in parts of the market, such as the West End of London, currently at historic lows (source: MSCI/IPD). Increasing demand in the economy combined with real wage growth may lead to rising inflation and the expectation of tightening monetary policy over the next 12 to 24 months. Whilst this may lead to a gradual increase in property yields, we expect the impact to be balanced by higher rental growth in London and stronger regional centres due to increasing occupational demand and restricted new development.

Whilst we are therefore positive about the short to medium term prospects for UK commercial property, longer term returns may be impacted by rising interest rates as well as other factors such as the EU Referendum or an increase in development activity. This risk will be mitigated by our continued focus on owning property with good rental growth prospects and scope to add value through asset management.

Since the year-end, shareholders have voted in favour of converting to Real Estate Investment Trust ('REIT') status, leading to the Company entering the UK REIT regime on 1 May 2015. The Board recommended conversion to REIT status in order to reduce the overall burden of UK taxation and increase net income and overall profitability. Conversion may also lead to the longer term benefit of improved liquidity as a result of being able to access a wider potential investor base.

Results

The Company's Net Asset Value ('NAV') as at 31 March 2015 was £299.2 million or 57.7 pence per share ('pps'), compared with £190.4 million or 48.6 pps as at 31 March 2014. This reflected an increase over the period of 18.7%. Shareholders received total dividends over the period of £11.4 million or 2.48 pps, resulting in a total NAV return of 24.4%.

CHAIRMAN'S STATEMENT (continued)

The increase in NAV was driven by capital growth within the underlying portfolio of 13.2%. This compared with the Company's Investment Property Databank ('IPD') Benchmark Index of 11.1%. The portfolio also benefited from a higher income return of 6.7% compared with the IPD Benchmark of 5.4%, resulting in a total return of 20.8% compared with the Benchmark of 17.1%.

Strategy

In April 2014 shareholders approved a Placing Programme enabling the Company to issue up to 200 million shares to facilitate a series of property acquisitions in a way that avoided a cash drag on shareholders' funds. Subsequently, during the year the Company raised proceeds of £67.2 million via the issuance of 127 million shares at an average price of 52.9 pps reflecting an average premium to the prevailing NAV of 4.6% and an average dividend yield on issue of 4.7%. Prior to the Placing Programme's expiry, and in order to provide flexibility to raise additional equity, 47.1 million shares were issued and immediately repurchased into Treasury in March 2015. These shares can only be re-issued at a premium to the prevailing NAV per share. During the year and since the year end, the Company has invested the placing proceeds into seven acquisitions consistent with the Company's investment criteria totalling £124.4 million at an average initial yield of 6.1%.

Looking forward, the strategic focus is to grow income through asset management, reduce the portfolio void rate and sell low and non-income producing property with proceeds efficiently redeployed into asset management initiatives or new investments. On-going asset management activity should enhance the portfolio's defensive characteristics in terms of tenant covenant strength and average lease length, with further details included in the Investment Managers Report.

Although there are no immediate plans to issue new shares, additional equity could be required to progress some of the larger asset management initiatives within the existing portfolio or to make further opportunistic acquisitions. In these circumstances equity would only be issued in a disciplined manner where it is for specifically identified projects that will enhance income and total returns.

Dividend Policy

As noted above, over the year the Company paid four dividends totalling 2.48 pps, with a dividend cover of 106% compared with 75% over the year to 31 March 2014. Following conversion to UK REIT status the current level of dividend is expected to be maintained, with the first dividend under the REIT regime for the period 1 April 2015 to 30 June 2015 payable in August 2015.

It is intended that the strategy outlined above should, over time, enable a progressive dividend policy to be adopted. The Board will therefore continue to review its dividend policy and the appropriate sustainable long term dividend level for the Company with regard to continued execution of its strategy and prevailing market conditions.

CHAIRMAN'S STATEMENT (continued)

Debt

The Company has a single loan of £129.58 million from Canada Life at a fixed interest rate of 4.77% per annum incorporating sufficient flexibility to asset manage and implement the property strategy. 20% of the loan matures in April 2023 with the balance of 80% in April 2028, resulting in a weighted duration of 12 years. Adjusted for activity since the year end, the current net loan to value ratio is 28.5%, in line with the long term target range of 25% to 35% and below the level expected at the start of the year due to the growth strategy and rising property values. This provides the opportunity to consider using a small amount of additional borrowing tactically to fund activity before being refinanced by potential equity issuance.

Board composition

Following conversion to UK REIT status, changes are being made to the Board's composition and, on 28 April 2015, Stephen Bligh was appointed as a non-executive Director. Stephen is currently a non-executive Board Member of the Department of Business, Innovation & Skills, and was previously with KPMG for 34 years, specialising in the audit of FTSE 350 companies in the property and construction sectors. Stephen replaced Alison Ozanne, who joined the Board of the Company in 2014, and retired with effect from 28 April 2015. We are grateful to Alison for her contribution over this period.

Harry Dick-Cleland, Chair of the Audit Committee, and David Warr will both retire from the Board at the conclusion of this year's Annual General Meeting. Harry and David both joined the Board in 2006 and we are grateful for their significant contribution over this period. The Board will also be appointing Graham Basham as a new non-executive Director to replace the retiring Directors with effect from the AGM date of 11 September 2015. Graham is a director and shareholder of the Active Group Limited, a provider of outsourcing support services such as compliance, regulatory support and human resources. Graham's role at Active is Head of Corporate Services and he has been a Director of this Company's property-owning subsidiaries for over ten years.

Outlook

Against the backdrop of a growing UK economy, continued strong demand for commercial property and an improving occupational market, the potential returns available from the UK commercial property market remain attractive. The potential for tightening monetary policy and rising yields means that rental growth will be an increasingly important driver of property returns, requiring a strong focus on good stock selection and proactive asset management.

The Company is well positioned in this environment with recent acquisitions and initiatives within the portfolio providing significant opportunities to grow income and generate attractive total returns. Whilst there may also be opportunities to further enhance returns from raising new equity, the Board will ensure a disciplined approach to any further investment and remains vigilant to changing market conditions.

Lorraine Baldry
Chairman
Schroder Real Estate Investment Trust Limited

17 July 2015

INVESTMENT MANAGER'S REPORT

During the year the Net Asset Value ('NAV') has increased to £299.2 million or 57.7 pence per share ('pps'), compared with £190.4 million or 48.6 pps as at 31 March 2014. The Company has also paid total dividends of 2.48 pps which, based on net earnings of 2.6 pps, resulted in post tax dividend cover of 106%. This reflects an 18.7% increase in the NAV and a total return, including dividends, of 24.4%.

The table below provides a detailed breakdown of the growth in NAV during the period:

	Pence*
NAV as at 31 March 2014	48.6
Unrealised change in valuation of direct investment property portfolio	4.7
Capital expenditure during the year	(0.2)
Property acquisition costs during the year	(0.4)
Unrealised profit on joint ventures	0.4
Post tax net revenue	2.6
Dividends paid	(2.5)
Realised gains on disposals	4.4
Others	0.1
NAV as at 31 March 2015	57.7

*NAV pps calculated using weighted average number of shares during the year

Acquisitions funded through the Placing Programme and a high level of activity across the portfolio have made a significant positive contribution to performance and shareholder returns. During the year to 31 March 2015 and since the year end, the Company has invested the placing proceeds into seven acquisitions totalling £124.4 million at an average initial income yield of 6.1%. Over the same period the Company sold or exchanged unconditional contracts to sell ten properties totalling £73.8 million at an average income yield of 1.4%. The execution of this strategy has delivered the following key benefits:

- The acquisition of larger properties offering strong fundamentals with the potential for higher rental growth, value enhancing asset management and an increase in net income.
- The sale of low and non-income producing assets on completion of asset business plans has crystallised a profit of £22 million and a 42.5% premium to the previous year end valuation.
- Dividend cover increased to 106%, compared with a cover of 75% over the year to 31 March 2014.
- A further reduction in the Company's loan to value ratio, (net of cash and adjusted for the transactions completed since the year end) to 28.5%, compared with 37.8% as at 31 March 2014.
- Improved shareholder liquidity with a larger market capitalisation.
- Economies of scale with a reduction in expenses by 30% as a percentage of NAV.

INVESTMENT MANAGER'S REPORT (continued)

Market overview

For the year ended 31 March 2015, the IPD Benchmark recorded an average total return from UK commercial real estate of 17.1%. This comprised an income return of 5.4% and capital growth of 11.1%. The remaining contribution was from rental value growth. As at 31 March 2015, the average net income initial yield for the sector was 5.4%, with a higher reversionary income yield (which is based on estimated market rental value) of 6.1%. There continues to be a divergence in performance with the industrial and office sectors producing total returns of 21.3% and 20.9%, in contrast to the retail sector at 12.5%.

Industrial Sector

The outperformance of the industrial sector was due to a combination of factors including the highest income return of 6.1%, compared with 4.8% and 5.7% for the office and retail sectors respectively. Industrial assets in the south east also benefited from above average rental growth of 4.1% compared with a market average of 3.5%. This is largely due to restricted new development, a cyclical recovery in small and medium sized enterprises ('SMEs') and a reduction in supply due to change of use to residential. This has underpinned the investment rationale for the recent acquisition of two industrial estates in Milton Keynes.

Office Sector

The performance of the office sector continues to be driven by Central London, with the West End and City markets producing a total return of 24.2% and 21.3% respectively – despite producing the lowest income returns of 3.3% and 4.3% respectively. Strong levels of occupational demand, particularly on the periphery of core West End and City markets, led to continued rental growth.

Near term undersupply of Central London offices is likely to lead to further rental growth, particularly in London's 'villages' such as Kings Cross, Bloomsbury and Shoreditch, which are attracting clusters of occupiers from the technology, media, telecommunication ('TMT'), creative and other non-financial sectors such as education. Typically these locations have also benefited from recent regeneration and infrastructure projects such as Crossrail, which is currently underway. The Company's recent acquisition of the University of Law Campus in Bloomsbury should benefit from this trend as it is located within 400 metres of Tottenham Court Road station which is expected to serve 50,000 commuters every hour when Crossrail opens in 2018 (Source: CBRE). Tottenham Court Road is also expected to be the only intersection for Crossrail 2, the proposed north-south fast rail link currently under discussion.

Retail Sector

Whilst the retail sector underperformed, selective parts of the market offer improving prospects. This is due to the broader economic recovery and rising real disposable incomes that are positively impacting retail sales, which increased by 4.7% over the year to May 2015 (Source: ONS, adjusted for inflation and motor fuel). While certain retailers are now expanding, notably within the leisure sector, a structural oversupply of space and growing online sales requires a cautious approach to new investment. In this environment we have therefore focussed on convenience retail in densely populated areas and retail warehousing in affluent areas that support multi-channel retailing including both in-store shopping as well as 'click-and-collect'.

INVESTMENT MANAGER'S REPORT (continued)

Strategy

Looking forward, whilst we expect interest rates to remain lower for longer than originally indicated by the Bank of England, future returns will be more heavily influenced by occupational demand and the ability to capture rental growth. We therefore expect cities and towns with diversified, growing economies and favourable supply and demand characteristics, to perform best. In addition to some locations in London, cities such as Manchester, Cambridge and Leeds should benefit from above average levels of investment and employment growth which should, in turn, translate into higher levels of rental growth. For example, office employment growth in Manchester city centre was 8% during 2014 with projected office employment growth forecast as the highest in the UK at 2.4% per annum between 2014 and 2019 (Source: Oxford Economics). This growth combined with an undersupply of new offices underpinned the recent acquisition of City Tower in Manchester.

Against the backdrop of GDP growth, restricted new development and increasing occupational demand, we expect strong demand for UK commercial property to continue. Whilst this should lead to good returns in 2015, rising interest rates could reduce the relative attractiveness of the sector, particularly for the lower yielding sectors such as prime West End offices, where initial yields are at historic lows.

Efficient execution of the growth strategy since January 2014 has delivered significant benefits to shareholders in terms of enhanced returns and dividend cover as well as a repositioning of the portfolio into locations and assets likely to benefit from future growth. At the asset level, this activity has increased exposure to growth markets and enhanced the portfolio's defensive qualities. These benefits are summarised with the specific outcomes listed below, including the impact of transactions completed since the year end:

- Accretive growth – above average net initial yield on new acquisitions since January 2014 of 6.5%, in excess of the portfolio average of 6.3% as at 31 March 2015.
- Increased net income – annualised portfolio rental income increased to £27.4 million compared with £21.0 million as at 31 March 2014.
- Reduction in the portfolio vacancy to 9.2% (as a percentage of rental value) compared with 11.7% as at 31 March 2014.
- Increased average lot size to £7.8 million as at 31 March 2015 compared with £5.4 million as at 31 March 2014, with larger assets offering greater scope for value-enhancing asset management.
- Increased diversification with 264 tenants compared with 249 as at 31 March 2014.

With equity proceeds fully invested, we are focussed on actively managing the portfolio to achieve the three central objectives to maximise income, enhance NAV and further improve the portfolio's robustness to protect value in the event of a financial downturn. There are a number of potentially significant asset management initiatives across the portfolio which should support these objectives, some of which may require significant capital expenditure to maximise returns.

INVESTMENT MANAGER'S REPORT (continued)

These initiatives may be funded by selling smaller, lower yielding properties on completion of asset management plans. Further equity issuance will also be considered where it can be efficiently deployed to achieve an accretive benefit to NAV and net income. Furthermore, whilst the investment market is increasingly competitive, recent acquisitions such as St. John's Retail Park in Bedford illustrate that assets offering good fundamentals and attractive prospective total returns can be secured at an initial income return above 6%. Consequently, we and the Board will continue to review the potential to raise additional equity opportunistically but only in a disciplined manner and where investment enhances income and total returns.

The above mentioned activity has been funded without additional borrowings. This approach has resulted in the net loan to value ratio being further reduced to 28.5% adjusted for transactions since the year end. This is at the lower end of the target range of between 25% and 35% and means that if attractive investment and management opportunities are identified, then a flexible bank facility such as a revolving credit facility ('RCF') could be used to make further investments. The flexibility provided by a RCF, combined with the current low cost of debt, could further enhance earnings prior to being repaid from future disposal proceeds or equity issuance.

We will therefore continue to adopt an opportunistic approach to new investment whilst focussing on the fundamentals in the following areas and themes:

- London markets with robust occupational demand and multiple alternative uses including commercial as well as residential.
- Cities and towns outside of London with a 'knowledge-based' economy offering creativity and innovation.
- Locations that are attractive to a number of uses including commercial and residential occupiers.
- Medium sized warehouses around large cities to support e-commerce.
- Higher yielding multi-let estates in areas with low supply, good demand and potential for change of use.
- Convenience retailing in densely populated urban areas.
- 'Value' retail warehousing in affluent areas experiencing population growth.

Property portfolio

As at 31 March 2015, the property portfolio comprised 53 properties independently valued at £382.1 million. This includes the share of the joint venture properties, City Tower in Manchester and the University of Law Campus in Bloomsbury. Since the year end, St. John's Retail Park in Bedford has been acquired for £31.8 million, and Spectrum House in Woking was sold for £2.3 million. Adjusting for these transactions, and the revaluation of Bedford on completion to £34 million, results in a total portfolio value of £413.8 million.

On the same basis the portfolio produced a rental income of £27.4 million per annum, reflecting a net initial yield of 6.3%. The independent valuer has estimated that the current market rental value of the portfolio is £31.2 million per annum, reflecting a

INVESTMENT MANAGER'S REPORT (continued)

reversionary yield of 7.1%. The portfolio benefits from additional fixed annual rental uplifts of £1.8 million per annum due by March 2017. The data below summarises the portfolio information as at 31 March 2015, adjusted for the transactions referred above:

	Weighting (%)	
Sector weightings by value	SREIT	IPD
Retail	36.0	38.4
Offices	42.1	31.8
Industrial	17.1	20.1
Other	4.8	9.7

	Weighting (%)	
Regional weightings by value	SREIT	IPD
Central London	8.2	16.1
South East excluding Central London	38.4	36.3
Rest of the South	10.2	14.1
Midlands and Wales	20.0	14.1
North and Scotland	23.2	19.4

The Company's top ten properties set out below comprise 55.2% of the portfolio value:

Top ten properties		Value (£m)	(%)
1	Manchester, City Tower*	37.9	9.2
2	London, Bloomsbury, University of Law Campus*	34.0	8.2
3	Bedford, St. John's Retail Park**	34.0	8.2
4	Brighton, Victory House	29.5	7.1
5	Leeds, Headingley, The Arndale Centre	19.0	4.6
6	Uxbridge, 106 Oxford Road	18.4	4.4
7	Salisbury, Churchill Way West	15.8	3.8
8	Milton Keynes, Stacey Bushes Industrial Estate	15.6	3.8
9	Norwich, Union Park	12.5	3.0
10	Basingstoke, Churchill Way	11.9	2.9
	Total as at 31 March 2015	228.6	55.2

*Group share of joint venture properties
**Acquired post year end

INVESTMENT MANAGER'S REPORT (continued)

The table below sets out the Company's top ten tenants that generally comprise large businesses and represent 33.3% of the portfolio:

Top ten tenants		Rent p.a. (£'000)	% of portfolio
1	University of Law Limited*	1,583	5.7
2	Wickes Building Supplies Limited	1,092	4.0
3	Norwich Union Life and Pensions Limited	1,039	3.8
4	The Buckinghamshire New University	1,018	3.7
5	BUPA Insurance Services Limited	961	3.5
6	Secretary of State	916	2.9
7	Mott MacDonald Limited	790	2.7
8	Recticel SA	731	2.5
9	Matalan Retail Limited	676	2.4
10	Sports Direct.com Retail Limited	659	2.1
	Total as at 31 March 2015	9,465	33.3

*Group share of joint venture properties

Transactions and asset management over the year and since the year end resulted in an average unexpired lease term, assuming all tenants break at the earliest opportunity, of 7.4 years compared with the IPD Benchmark at 8.1 years. The table below shows the portfolio lease expiry profile in five year increments compared against the IPD Benchmark, updated for transactions since the year end.

	% of rent passing	
	SREIT earliest termination/IPD Index earliest termination	SREIT assuming no tenant breaks/IPD Index assuming no tenant breaks
Up to five years	39.1 / 45.2	28.5 / 32.9
Five to 10 years	40.2 / 28.3	37.6 / 35.5
10 to 15 years	12.0 / 14.9	20.7 / 17.7
15 to 20 years	5.2 / 5.4	9.5 / 5.9
Over 20 years	3.5 / 6.1	3.8 / 7.9

INVESTMENT MANAGER'S REPORT (continued)

Property portfolio performance

The performance of the Company's underlying property portfolio compared with its IPD Benchmark to 31 March 2015 is shown below:

	SREIT total return p.a. (%)			IPD Index total return p.a. (%)			Relative p.a. (%)		
Period	12 months	Three years	Since inception*	12 months	Three years	Since inception*	12 months	Three years	Since inception*
Retail	15.9	7.3	5.7	12.5	7.0	4.5	3.0	0.2	1.1
Office	24.9	13.9	7.9	20.9	13.1	6.7	3.3	0.7	1.1
Industrial	20.1	13.7	6.7	21.3	13.4	6.6	(1.1)	0.3	0.1
Other	9.3	2.5	0.8	14.8	9.3	5.8	(4.8)	(6.3)	(4.8)
Total	20.8	11.6	6.9	17.1	10.2	5.7	3.2	1.3	1.1

*Inception was July 2004

In addition to producing a higher total return over one year, three years and since inception, over the same periods the underlying property portfolio has consistently produced a higher income return compared with its IPD Benchmark.

Transaction summary

Seven acquisitions completed during the year and since the year end for a total of £124.4 million at an average initial yield of 6.1%. These acquisitions are summarised in the table below:

Address	Acquisition date	Price (£m)	Rent (£m)	Average unexpired lease term (years)**	Net initial yield (%)	31/03/15 value (£m)
Manchester, City Tower*	12/06/14	33.0	2.40	10.8	7.0	37.9
Portsmouth, Commercial Road (adjoining interest)	19/06/14	1.48	0.15	2.0	9.5	1.7
Milton Keynes, Stacey Bushes/ Heathfield	21/08/14/ 25/11/14	9.2/5.06	0.76/0.41	4.5/1.95	7.8/7.7 (average 7.8)	15.6 (combined interest)
Bletchley, Matalan	18/11/14	9.9	0.68	6.5	6.5	9.9
London, University of Law*	17/12/14	34	1.45	12.0	4.0	34
POST YEAR END						
Bedford, St. John's Retail Park	15/05/15	31.8	2.1	6.95	6.5	34
TOTAL INCLUDING POST YEAR END		**124.4**	**7.9**	**8.7**	**6.1**	**133.1**

*Group share of joint venture properties
**to the earliest of lease expiry and break option, calculated upon acquisition

INVESTMENT MANAGER'S REPORT (continued)

Nine disposals completed during the year and since the year end with an additional disposal exchanging on an unconditional basis. These totalled £73.8 million reflecting an average initial yield of 1.4% and are summarised below:

Address	Disposal date	Price (£m)	Rent (£m)	Average unexpired lease term (years)*	Net initial yield (%)	31/03/14 value (£m)
Wembley, Plot B	01/08/14	7.6	–	–	–	6.2
Wembley, Plot C	23/09/14	15.3	–	–	–	5.5
Stoke, Remploy Unit*	18/11/14	2.3	0.3	7.1	8.1	3.5
Wembley, Plot A	19/12/14	15.4	0.6	0.2	3.6	10.8
Harrow, St. Ann's Road	22/12/14	2.1	0.1	7.6	5.5	1.8
Hinckley development site**	29/01/15	4.5	–	–	–	3.8
Ilkeston, Burr Lane	05/02/15	0.1	–	–	–	0.1
Brentford, Reynards Trading Estate	11/02/15	20.2	–	0	–	16.0
POST YEAR END						
Woking, Spectrum House	07/04/15	2.3	–	–	–	1.1
New Malden, St. Georges Court***	02/04/15 (exchanged)	4.0	0.1	14.1	2.1	2.9
TOTAL INCLUDING POST YEAR END		**73.8**	**1.1**	**4.0**	**1.4**	**51.7**

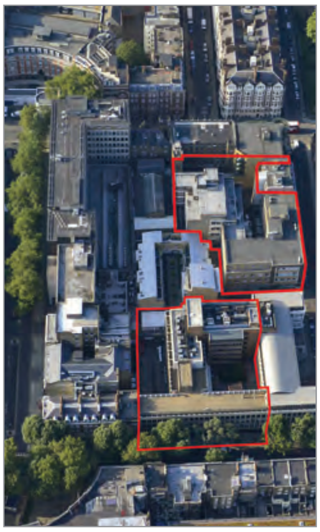
*Simultaneous with the disposal, a surrender premium of £1.2 million was received from the outgoing tenant that is treated as income
**£2.3 million of the purchase price deferred until September 2015
***Unconditional exchange with completion due in April 2016

TRANSACTIONS AND ASSET MANAGEMENT

Manchester, Piccadilly Gardens, City Tower

In June 2014, a 25% interest in City Tower in Manchester was acquired for £33 million, reflecting a headline net initial yield of 7% and a reversionary yield, assuming market rents, of 8.7%. The long leasehold property was acquired alongside two other funds managed by Schroders for a total price of £132 million. City Tower is situated in a prime location and provides 615,429 square feet of office, retail, leisure and hotel accommodation on a three acre island site including 456 car parking spaces. The property provides significant diversification with 115 tenancies and a spread of lease expiries with an average unexpired lease term, to the earlier of lease expiry or break, of 10.5 years.

The acquisition strategy was to increase the office rents from an average of £17 per sq ft to £25 per sq ft over a five year period. An improving office market in Manchester has enabled the business plan to be accelerated and a rent of £25 per sq ft has already been achieved recently in a letting on the 22nd floor. This activity, combined with an on-going refurbishment of the reception and vacant floors, has underpinned an increase in the valuation to £37.9 million as at 31 March 2015.



London, Bloomsbury, University of Law Campus

In December 2014 a 50% interest in The University of Law Campus on Store Street in Bloomsbury was acquired for £34 million, with the price reflecting a net initial yield of 4%. The freehold property was acquired alongside another fund managed by Schroders for a total price of £68 million. The property comprises two parcels of land totalling 0.8 acres on which there are four buildings totalling 85,814 square feet with a mix of office and D1 (educational) planning use. The property is located approximately 400 metres north of Tottenham Court Road station and one block away from Bedford Square.

The property is let to The University of Law on a new 12 year lease without tenant breaks at a rent of £2.9 million per annum, with the 50% share representing rental income of £1.45 million per annum. The lease benefits from five yearly, upwards only rent reviews to the higher of (i) the movement in the Retail Price Index ('RPI'), with the RPI movement subject to a minimum uplift of 1% per annum compounded and a maximum uplift of 4% per annum compounded; or (ii) the open market rental value without a maximum uplift. The current rent equates to £33.43 per sq ft.

TRANSACTIONS AND ASSET MANAGEMENT (continued)

Milton Keynes, Stacey Bushes & Heathfield

In August 2014 Stacey Bushes Industrial Estate in Milton Keynes was acquired for £9.2 million, reflecting a net initial yield of 7.8% and a reversionary yield, assuming market rents, of 8.9%. Subsequently, in November 2014 the adjoining Heathfield Industrial Estate was acquired for £5.1 million reflecting a net initial yield of 7.7% and a reversionary yield of 8.6%.

The combined estate comprises 63 units totalling 317,700 square feet, and on acquisition produced a rent of £1.17 million per annum, reflecting an average rent on the let space of £3.65 per sq ft and an average vacancy rate of 20%, calculated as a percentage of rental value. The strategy on acquisition was to undertake a phased refurbishment of the vacant units and let the space at an improved rental tone. Good progress has been made letting the vacant units with a reduction in the void rate to 10.8%. At the same time the rental value has increased from £1.3 million per annum to £1.4 million per annum with these improvements resulting in an increase in the valuation to £15.6 million as at 31 March 2015.

Bedford, St. John's Retail Park

Since the year end, St. John's Retail Park in Bedford has been acquired for £31.8 million, reflecting a net initial yield of 6.5% and a reversionary yield, assuming market rents, of 6.8%. The freehold property comprises a 130,000 square feet retail warehouse park let to 12 tenants located approximately 1.5 miles to the south of Bedford town centre, with an adjoining 11,600 square feet office building.

The retail park produces a rent of £2 million per annum which reflects a low average rent of £16 per sq ft. The average unexpired lease term, assuming all tenants break at the earliest opportunity, is 6.95 years with tenants including DSG Retail Limited (24% of income expiring in September 2020) and Homebase Limited (17% of income expiring in May 2024). On acquisition, the strategy for the retail park was to let the vacant unit, extend existing tenants' leases and explore the potential to widen the planning consent to increase the rental tone and improve the tenant mix.

The property was acquired via the acquisition of shares in a UK company that had developed the property and therefore had latent capital gains tax liabilities. Following conversion to UK-REIT status on 1 May 2015, these capital gains tax liabilities have been extinguished. This provided a competitive advantage when bidding and was reflected in the independent valuation at completion of £34 million.

Leeds, Headingley Arndale Centre

Good progress has been made implementing the asset management strategy at the Arndale Centre in Headingley, Leeds, acquired in January 2014 for £16.2 million. The Arndale Centre is a multi-let convenience retail and office property with 22 tenants located in a densely populated suburb close to the Central Business District in Leeds. The retail strategy on acquisition was to let the vacant units and increase the rental value tone from £45 per sq ft to £55 per sq ft over five years. Strong tenant demand has enabled the business plan to be accelerated and the latest letting, completed since the year end, reflects a new headline rent of £69 per sq ft. This activity has supported an increase in the valuation to £19 million as at 31 March 2015.

TRANSACTIONS AND ASSET MANAGEMENT(continued)

Finance

The Company has a single loan in place with Canada Life totalling £129.58 million. The loan has a weighted duration of 11.8 years with a fixed interest rate of 4.77%. Details of the loan and compliance with the principal covenants as at 31 March 2015, updated for transactions since year end, are set out below:

Canada Life loan (£m)	Maturity	Interest rate (%)	Loan to Value ('LTV') ratio* (%)	LTV ratio covenant (%)*	Interest cover ratio (%)**	ICR ratio covenant (%)**	Forward looking ICR ratio (%)***	Forward looking ICR ratio covenant (%)***
25.9	16/04/2023	4.77	39.6	65	336	185	307	185
103.7	16/04/2028							

*Loan balance divided by property value as at 31 March 2015
**For the quarter preceding the Interest Payment Date ('IPD'), ((rental income received – void rates, void service charge and void insurance)/interest paid)
***For the quarter following the IPD, ((rental income received – void rates, void service charge and void insurance)/interest paid)

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 on maturity of the smaller tranche of debt in 2023.

As at 31 March 2015 and updated for transactions since the year end, the Company also held four unsecured properties outside the Canada Life security pool with a combined value of £86.2 million and cash of £11.8 million. This results in a loan to value ratio, net of cash, of approximately 28.5%.

Summary

Efficient execution of the growth strategy has delivered significant benefits to shareholders in terms of NAV growth, increased net income and dividend cover, reduced leverage and improved economies of scale. The key strategic focus now is to grow income further and, when sustainable, pursue a progressive dividend policy. Executing the property level strategy combined with a continued recovery in the UK economy should support this objective. Further growth will also be considered as part of this strategy where equity can be efficiently invested at an accretive yield.

Outlook

Whilst this is currently an attractive operating environment, we remain vigilant to the longer term impact of rising interest rates on all asset classes, as well as the potential for shorter term volatility due to the EU referendum. Some pricing of trophy assets is difficult to justify and we will not pursue overpriced investments into fashionable parts of the market. We will therefore continue to focus on owning property with strong fundamentals in robust cities and local economies, as well as improving the portfolio's defensive qualities through transactions and asset management.

Duncan Owen
Schroder Real Estate Investment Management Limited

17 July 2015

BUSINESS MODEL AND STRATEGY

Company's Business

Schroder Real Estate Investment Trust is a real estate investment company with a premium listing on the Official List of the UK Listing Authority and is traded on the London Stock Exchange's main market for listed securities. On 1 May 2015 the Company converted to a Real Estate Investment Trust ('REIT') which means that it is able to benefit from exemptions from UK tax on profits and gains in respect of certain qualifying property rental business activities. SREIT continues to be an authorised closed-ended investment scheme registered in Guernsey.

The Company cancelled its secondary listing with the Channel Islands Securities Exchange Ltd ('CISE') in September 2014.

The Board

The Board of Directors is responsible for the overall stewardship of the Company, including investment and dividend policies, corporate strategy, gearing, governance and risk management.

The Company has no executive Directors or employees.

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.

The current investment strategy is to grow income and enhance shareholder returns through selective acquisitions, pro-active asset management and selling smaller, lower yielding properties on completion of the asset business plan. The issuance of new shares will also be considered if this is consistent with the strategy.

Our objective is to own a portfolio of larger properties in cities and towns with diversified local economies, sustainable occupational demand and favourable supply and demand characteristics. These properties should offer good long-term fundamentals in terms of location and specification and be let at affordable rents with the potential for income and capital growth from good stock selection and asset management.

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 predominantly in UK commercial property.

Investment Policy

The investment policy of the Company is to own a diversified portfolio of UK property with good fundamental characteristics, as outlined below. The Group invests principally in the UK commercial property sectors including office, retail and industrial

BUSINESS MODEL AND STRATEGY (continued)

and will also invest in other sectors including, but not limited to, residential, leisure, healthcare, hotels and student accommodation.

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.

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) taking into account the Company's investment objectives, policies and restrictions.

Borrowings

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 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 minimise 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.

Investment Restrictions

As the Company is a closed-ended investment fund for the purposes of the Listing Rules, the Group will adhere to the Listing Rules 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:

- 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, the restrictions applying to the Company will be amended so as to reflect the new Listing Rules.

BUSINESS MODEL AND STRATEGY (continued)

For full information on the Company, its investment policy and investment restrictions please see a copy of its latest published prospectus or visit its website at www.srei.co.uk.

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') Benchmark peer group index and the share price:

1. NAV total return

For the year to 31 March 2015 the Company produced a NAV total return of 24.4% (14.4% for the year to 31 March 2014).

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 2015 the Benchmark Index comprised 48 member funds.

Total return for 12 months to 31 March 2015		Total return for 12 months to 31 March 2014	
SREIT (%)	IPD Benchmark Index (%)	SREIT (%)	IPD Benchmark Index (%)
20.8	17.1	13.7	12.5

The analysis above prepared by IPD is undertaken on a 'like for like' basis and takes account of all direct property related transaction costs.

3. Share price performance

The Board monitors the level of the share price compared to the NAV. As at 31 March 2015, the share price of 62.3 pps reflected a premium to the NAV of 8%. 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.

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 2015 to review portfolio strategy and the Investment Manager's capabilities in more depth. Subsequently, individual Directors formally discussed the performance of the Investment Manager at a 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 interest 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 the share price being at a discount to NAV. 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 Investment Manager 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 accurately. The Company has appointed the Investment Manager as Alternative Investment Fund Manager (AIFM) in accordance with the AIFMD.

In addition, 51 of the Company's 53 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 Company's two joint venture assets are valued by BNP Paribas Real Estate UK.

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

BUSINESS MODEL AND STRATEGY (continued)

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. 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 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 Governance report.

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 Governance report on page 44.

Financial: Note 20 to the financial statements includes a description of risks relating to financial risk, market price risk, credit risk, liquidity risk and interest rate risk. Cashflow is actively managed to ensure sufficient liquidity is available for day to day use. As described earlier under Investment Policy, the Board establishes gearing guidelines, and ensures that the Investment Manager operates within the defined guidelines.

Hedging: There are no interest rate swaps due to the fixed rate nature of the debt.

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.

Alternative Investment Fund Managers ("AIFM") Directive

In accordance with the AIFM Directive, the Company has, with effect from 22 July 2014, become an Alternative Investment Fund and has appointed Schroder Real Estate Investment Management Limited ("SREIM"), a wholly owned subsidiary of Schroders PLC which has AIFM regulatory permissions, as the Alternative Investment Fund Manager (the "Manager").

In addition, also in accordance with the AIFM Directive, the Company has appointed Northern Trust (Guernsey) Limited as Depositary with effect from 22 July 2014. An additional fee of £40,000 is paid for this service.

In complying with its new regulatory obligations, the Board takes this opportunity to reassure shareholders that it continues to act independently of the Manager and the management fees payable to the Manager remain unchanged.

BUSINESS MODEL AND STRATEGY (continued)

Leverage

Leverage is any method by which the Company increases its exposure to the market by borrowing or through transactions in other financial instruments such as derivatives. The Company has not used any derivative instruments during the year under review

The "Leverage Ratio" represents the Leverage generated through its debt facility, as calculated in accordance with the detailed requirements of the AIFM Directive, divided by the Company's net asset value. Details on how the amount of Leverage is calculated may be found by referring to the Directive or to the detailed guidance published by the Association of Investment Companies in September 2014. The Directive requires that ratios are calculated in accordance with two methodologies, the "Gross Method" and the "Commitment Method".

The Manager has set a maximum limit of 1.95 for the Gross Method and 2.20 for the Commitment Method. As 31 March 2015 the Company's Gross ratio and its Commitment ratio were 1.30 and 1.45 respectively.

The Manager may change the maximum limits from time to time. Any changes will be disclosed to shareholders in accordance with the Directive.

Remuneration

The AIFM Directive requires the Manager to comply with certain disclosure, reporting and transparency obligations of the Directive, for funds that are considered to be alternative investment funds that it markets in the EU. This includes SREIT. SREIM does not have any employees but is a wholly owned subsidiary of Schroders plc ("Schroders").

The Schroders remuneration philosophy aims to reward performance and attract and retain talented employees. Schroders seeks to encourage enterprise whilst ensuring alignment with business objectives, avoiding unnecessary or excessive risk and meeting regulatory requirements. To maintain its position as an employer of choice, Schroders offers competitive terms and conditions across all aspects of remuneration, including salaries, benefits, pensions, paid leave and variable remuneration, with an appropriate balance of fixed and variable remuneration. Schroders defers significant portions of variable remuneration awards to provide higher-paid employees with potential upside but also downside risk through the link to Schroders' share price and a range of Schroders investment funds.

Remuneration strategy across Schroders is governed by the Remuneration Committee, a committee of the Schroders Board. The Remuneration Committee has established an AIFM Remuneration Policy designed to ensure the requirements of the AIFM Remuneration Code in the UK Financial Services handbook are met proportionately for all AIFM Remuneration Code Staff, following the effective implementation date. The Remuneration Committee is responsible for overseeing the implementation of this Policy on behalf of the Board of SREIM.

BUSINESS MODEL AND STRATEGY (continued)

As meaningful remuneration data for AIFM Remuneration Code Staff will not be available until 2016, following the end of the first full performance period after SREIM becoming authorised as an AIFM, SREIM is not in a position to report total remuneration paid to AIFM Remuneration Code Staff at the time of this report.

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.

GOVERNANCE

Board of Directors

Lorraine Baldry (Chairman) – appointed on 13 January 2014
Aged 66, is Chairman of London & Continental Railways, Inventa Partners Ltd, Tri-Air Developments Ltd and is also independent Director of Circle Holdings plc and Thames Water Utilities Limited. She was Chief Executive of Chesterton International plc and prior to that held various senior positions at Prudential Corporation, Morgan Stanley and Regus. She is a former Chairman of London Thames Gateway Development Corporation and Central London Partnership and non-executive director of St Ives plc and DTZ Holdings plc. She is also an Honorary Member of the Royal Institution of Chartered Surveyors and a Past President of the British Property Federation.

Stephen Bligh – appointed on 28 April 2015
Aged 58, is a non-executive Board Member of the Department of Business, Innovation & Skills. Stephen was previously with KPMG for 34 years, specialising in the audit of FTSE 350 companies in property and construction. He is a fellow of the Institute of Chartered Accountants in England & Wales.

John Frederiksen – appointed on 27 May 2004
Aged 67, 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 – appointed on 27 May 2004
Aged 70, 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 – appointed on 13 March 2006
Aged 58, 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 – appointed on 13 March 2006
Aged 61, 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 Threadneedle UK Select Trust Limited, Breedon Aggregates Limited, Acorn Income Fund Limited, and Mid Europa Fund Management Limited.

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 2015. The Company is incorporated in Guernsey, Channel Islands under The Companies (Guernsey) Law, 2008.

Results and Dividends

The results for the year are set out in the attached financial statements.

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 2014	25 April 2014	0.62 pence per share
30 June 2014	15 August 2014	0.62 pence per share
30 September 2014	28 November 2014	0.62 pence per share
31 December 2014	27 February 2015	0.62 pence per share

Subject to the solvency test provided for in The 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 2015 of 0.62 pence per share ('pps') was declared on 28 April 2015 and paid on 28 May 2015.

Share Capital

The Company issued 80,000,000 new ordinary shares under the placing and offer for subscription programme in April 2014 at a price of 50.25p per share. A further 47,000,000 new ordinary shares were issued in November 2014 under the placing programme at a price of 57.50p per share.

On 5 March 2015, a further 47,151,340 shares were issued under the placing programme at a price of 56.1p per share. These shares were immediately repurchased by the Company, at the same price, to be held in treasury and may be sold to meet ongoing demand.

As at the date of this Report, the Company has 565,664,749 (2014: 471,513,409) ordinary shares in issue of which 47,151,340 ordinary shares (representing 8.3% of the Company's total issued share capital) are held in treasury (2014: Nil). The total number of voting rights of the Company is 518,513,409 (2014: 471,513,409) and this figure may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change in their interest in the Company, under the Disclosure and Transparency Rules.

Investment Manager

During the year under review, the Board considered the services provided by the Investment Manager. The Board continues to consider that the Investment Manager

REPORT OF THE DIRECTORS (continued)

provides the Company with considerable investment management resource and experience, thereby enhancing the ability of the Company to achieve its investment objective. The Board therefore considers that the Investment Manager's continued appointment under the terms of the current investment management agreement, further details are set out below, is in the interest of shareholders.

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.

With effect from 22 July 2014, the Company has appointed the Investment Manager as the Alternative Investment Fund Manager under the Alternative Investment Fund Managers Directive ('AIFMD'). There is no additional fee paid to the Investment Manager for this service.

Post year-end, the Manager was paid an additional fee of £200,000 for works performed in converting the Company to a UK REIT.

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.

Northern Trust (Guernsey) Limited has been appointed by the Board to provide Depositary services, as required under the Alternative Investment Fund Management Directive. A fee of £40,000 is paid for the service.

Going Concern

The Directors have examined significant areas of possible financial risk and have reviewed cash flow forecasts and compliance with 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.

Creditor Payment Policy

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

REPORT OF THE DIRECTORS (continued)

Anti-Bribery Policy

The Board notes the implementation of the Bribery Act 2010 in the United Kingdom, 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 (%)
Lorraine Baldry	–	–
Keith Goulborn	34,880	Less than 0.1
Harry Dick-Cleland	–	–
David Warr	220,000	Less than 0.1
Stephen Bligh	–	–
John Frederiksen	50,000	Less than 0.1

Substantial Shareholdings

At 31 March 2015 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	97,797,049	18.86
Schroder Investment Management Limited	81,688,457	15.75
Alliance Trust Savings Limited	33,022,453	6.37
BlackRock Investment Management Limited	23,801,823	4.59
Kleinwort Benson Private Bank Ltd	21,450,856	4.14
Premier Fund Managers Limited	19,335,295	3.73

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.

REPORT OF THE DIRECTORS (continued)

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.

KPMG's reappointment follows a review of auditor appointment in the form of a formal tender process as described in the Report of the Audit Committee.

Status for Taxation

The Director of Income Tax 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 £1,200.

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.

Following 96.5% of shareholders voting in favour of the special resolution to convert to a Real Estate Investment Trust ('REIT'), the Company entered the UK REIT regime on 1 May 2015.

Shareholders who are in any doubt concerning the taxation implications of a REIT should consult their own tax advisers.

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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES
(continued)

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 profit of the Group and the undertakings included in the consolidation taken as a whole and comply with The Companies (Guernsey) Law, 2008;
- The Strategic and Governance Reports include 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: and
- The Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

(continued)

Ordinary Resolutions 1–8

Ordinary Resolutions 1-8 are being proposed to approve the ordinary business of the Company to: (i) consider and approve the consolidated annual report and the remuneration report of the Company for the year ended 31 March 2015; (ii) re-elect the Directors; and (iii) re-appoint the Auditors and to authorise the Directors to determine the Auditor's remuneration.

Ordinary Resolution 9 Authority to repurchase shares

The Company did not buy back any ordinary shares during the year ended 31 March 2015. 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. 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 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 or may be held in treasury.

This authority will expire at the annual general meeting of the Company in 2016.

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 such number of ordinary shares as is equal to 10% of the ordinary shares in issue on the date the resolution is passed.

This authority will expire on the earlier of the conclusion of the AGM of the Company in 2016 or on the expiry of 15 months from the passing of Special Resolution 1.

The Board considers that the resolutions to be proposed at the AGM are in the best interests of the Company's shareholders as a whole. The Board therefore recommends unanimously to shareholders that they vote in favour of each of the resolutions.

Lorraine Baldry
Chairman

17 July 2015

Harry Dick-Cleland
Director

17 July 2015

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 £25,000 per annum, and the Chairman receives £40,000 per annum. The Chairman of the Audit Committee receives an additional fee of £5,000 and members of the Transaction Committee each received an additional fee of £5,000 reflecting their additional responsibilities and workload. Post year-end, following the UK REIT conversion on 1 May 2015, the Transaction Committee was dissolved as its duties are now fulfilled by Board members of the subsidiary companies.

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. There were no payments to former directors for loss of office.

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 Incorporation. 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.

REMUNERATION REPORT (continued)

Performance

The performance of the Company is described on page 22 in the Business Model and Strategy Report.

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

Director	31 March 2015	31 March 2014
Lorraine Baldry (Chairman)	40,000	(pro-rata) 7,833
Keith Goulborn	25,000	23,125
Harry Dick-Cleland*#	35,000	33,125
David Warr*	30,000	28,125
John Frederiksen	25,000	23,125
Alison Ozanne*	30,000	(pro-rata) 5,333
Andrew Sykes (Chairman)	–	(pro-rata) 33,125
Peter Atkinson	–	(pro-rata) 22,459
	185,000	**176,250**

*Member of the Transaction Committee (see page 40). Post year-end, following the UK REIT conversion on 1 May 2015, the Transaction Committee was dissolved
#Chairman of the Audit Committee

Lorraine Baldry,
Chairman

17 July 2015

Harry Dick-Cleland,
Director

17 July 2015

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
- internal audit function.

For the reasons set out above the Board considers these provisions are not relevant to the Company, being an externally managed investment company. The provision in relation to the internal audit function is referred to in the Audit Committee report. 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.

CORPORATE GOVERNANCE (continued)

- 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.

Board performance evaluation

As in prior years, the Board has undertaken a review of its performance. The 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 considers that independence is not compromised by length of tenure and that it has the appropriate balance of skills, experience and length of service. Independent non-executive directors who have served for nine years will only be asked to stand for re-election if the board remains satisfied both with the director's performance and that nine years' continuous service does not compromise the director's continuing independence.

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

CORPORATE GOVERNANCE (continued)

Board composition, changes and diversity

The Board currently consists of six non-executive Directors. The Chairman is Lorraine Baldry. The biography of each of these Directors is set out on page 27 of the report. The Board considers each of the Directors to be independent. The independence of each Director is considered on a continuing basis.

Following shareholder approval to convert to Real Estate Investment Trust ('REIT') status, Alison Ozanne retired from the Board, being replaced by Stephen Bligh, in order to reflect the move in central management and control from Guernsey to the United Kingdom.

The Nomination Committee and the Board have reviewed the Board's composition. As indicated in the Chairman's Statement, Mr Dick-Cleland and Mr Warr will retire from the Board with effect from the conclusion of this year's annual general meeting ("AGM"). The Board will be appointing Graham Basham as a new non-executive Director to replace the retiring Directors with effect from the AGM date of 11 September 2015.

The Board is satisfied that following these changes, it will be of sufficient size with an appropriate balance of skills and experience, independence and knowledge of both the Company and the wider investment company sector, to enable it to discharge its respective duties and responsibilities effectively and that no individual or group of individuals is or has been, in a position to dominate decision making.

Board Committees

Audit Committee

Details of the Audit Committee are set out in the Report of the Audit Committee.

Nomination Committee

The role of the Nomination Committee, chaired by Keith Goulborn, is to consider and make recommendations to the Board on its composition so as to maintain an appropriate balance of skills, experience and diversity, including gender, and to ensure progressive refreshing of the Board. On individual appointments, the Committee leads the process and makes recommendations to the Board.

Before the appointment of a new Director, the Nomination Committee prepares a description of the role and capabilities required for a particular appointment. While the Committee is dedicated to selecting the best person for the role, it aims to promote diversification and the Board also recognises the importance of diversity. The Board agrees that its members should possess a range of experience, knowledge, professional skills and personal qualities as well as the independence necessary to provide effective oversight of the affairs of the Company.

The Committee considered the appointment of one new non-executive Director during the year under review, and a further Director to replace the retiring Directors at the AGM in September. The Chairman of the Nomination Committee is primarily responsible for interviewing suitable candidates and a recommendation is made to the Board for final approval.

CORPORATE GOVERNANCE (continued)

To discharge its duties, the members of the Committee met on one occasion to consider the composition and balance of the Board, Board succession planning and the selection of suitable candidates as Directors, subsequent to which the appointment of one new non-executive Director, Mr Stephen Bligh, was recommended to the Board for approval. In addition, the Committee recommended to the Board the appointment of Graham Basham, to replace the retiring Directors at the AGM in September.

Remuneration Committee

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

Transaction Committee

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

Post year-end, following the UK REIT conversion on 1 May 2015, the Transaction Committee was dissolved as its duties are now fulfilled by Board members of the subsidiary companies.

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
Lorraine Baldry (Chairman)	4/4	2/2
Keith Goulborn	4/4	2/2
Harry Dick-Cleland	4/4	2/2
David Warr	4/4	2/2
John Frederiksen	4/4	2/2
Alison Ozanne	3/4	1/2
No. of meetings during the year	4	2

CORPORATE GOVERNANCE (continued)

In addition to its regular quarterly meetings, the Board met on eleven 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 77 sets out the business of the meeting.

Corporate Social Responsibility – benefits, risks and controls

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

The Investment Manager states in its Responsible Real Estate Investment Policy:

'The changes in markets as a consequence of environmental and social issues are simply investment risks that Schroder Real Estate 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 real estate manager, 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 ignore 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.

CORPORATE GOVERNANCE (continued)

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 may 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.'

This year the Investment Manager appointed Sustainable Commercial Solutions ('SCS') to support its Environmental Management System ('EMS'). The EMS supports the assessment and monitoring of a portfolio's environmental impacts and is aligned with ISO14001. As part of this, SCS is working with the Company's managing agents to develop the monitoring of the Company's energy usage and efficiency as well as water and waste.

The Company's portfolio was too small to require registration for Phase II of the CRC Scheme and the purchase of allowances.

The Company does not fall within the requirements for mandatory reporting of greenhouse gas emissions for UK quoted companies which came into effect from 1 October 2013. The Board and its advisors will continue to monitor requirements and guidance in relation to managing and reporting environmental matters and developments in legislation.

REPORT OF THE AUDIT COMMITTEE

Composition

The Audit Committee is chaired by Harry Dick-Cleland with Lorraine Baldry, Keith Goulborn, John Frederiksen and David Warr. Post year-end, Alison Ozanne retired from the Committee, being replaced by Stephen Bligh. The Board considers that Harry Dick-Cleland's experience makes him suitably qualified to chair the Audit Committee.

As indicated in the Chairman's Statement, Mr Dick-Cleland and Mr Warr will retire from the Board with effect from the conclusion of this year's annual general meeting. Mr Bligh will replace Mr Dick-Cleland as Chairman of the Audit Committee.
Mr Basham will join the Audit Committee upon his appointment in September 2015.

Responsibilities

The Audit Committee ensures that the Company maintains the highest standards of integrity in financial reporting and internal control. This includes responsibility 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 and the interim review.

Work of the 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 Auditor. During the year, the Committee met on two occasions to consider:

- The contents of the interim and annual financial statements and to consider whether, taken as a whole, they were fair, balanced and understandable and provided the information necessary for shareholders to assess the Company's performance, business model and strategy;
- The external Auditor's terms of appointment, audit plan, half year review findings and year-end report;
- The management representation letter;
- The effectiveness of the audit process;
- The independence, effectiveness and objectivity of the external Auditor; and
- Risk assessment of the company.

REPORT OF THE AUDIT COMMITTEE (continued)

Significant matters considered by the Audit Committee in relation to the financial statements

Matter	Action
Property Valuation Property valuation is central to the business and is a significant area of judgement. Although valued by an independent firm of valuers, Knight Frank and BNP for the joint ventures, the valuation is inherently subjective. Errors in valuation could have a material impact on the Company's net asset value.	The Audit Committee reviewed the outcomes of the valuation process throughout the year and discussed the detail of each quarterly valuation with the Investment Manager at the Board meetings. The Audit Committee met with Knight Frank outside the formal meeting during the year to discuss the process, assumptions, independence and communication with the Investment Manager. Furthermore, as this is the main area of audit focus, the auditors contact the valuers directly and independently of the Investment Manager. The Audit Committee receives detailed verbal and written reports from KPMG on this matter as part of their interim and year end reporting to the committee. On the basis of the above, the Committee concluded that the valuations were suitable for inclusion in the financial statements.

Internal Control

The UK Corporate Governance 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 an ongoing basis. 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.

REPORT OF THE AUDIT COMMITTEE (continued)

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.

Internal audit

The Committee considered the need for an internal audit function and concluded that one was not needed given the scale and complexity of the business. The Investment Manager is subject to Schroders Group Internal Audit reviews.

External Auditor remuneration, independence and effectiveness

Annually, the Committee considers the remuneration and independence of the external auditor. The Committee recommends the remuneration of the external auditor to the Board and keeps under review the ratio of audit to non-audit fees to ensure that the independence and objectivity of the external auditor are safeguarded.

Review of auditor appointment

KPMG has been the Group's Auditor since inception in 2004. In order to benchmark KPMG's service quality, effectiveness and value for money, together with adopting the UK Corporate Governance code on audit tendering and rotation, the Committee conducted a formal tender process during May/June 2014.

Three firms, including KPMG, were asked to submit a written response to questions asked in the Request for Proposal, followed by a presentation to an interview panel comprised of the Chairman of the Audit Committee, one other director and a representative of the Investment Manager. All firms were independently scored on numerous criteria by the interview panel covering that firm's experience, team structure and audit methodology, amongst other things. Following this, a recommendation was made to the Audit Committee to retain KPMG as the Group's auditor.

The Audit Committee has recommended the continuing appointment of KPMG to the Board.

Non-audit services

In order to help safeguard the independence and objectivity of the auditor, the Committee maintains a policy on the engagement of the external auditor to provide non-audit services. The Committee's policy for the use of the external auditor for non-audit services recognises that there are certain circumstances where, due to KPMG's expertise and knowledge of the Company, it will often be in the best position to perform non audit services. Under the policy, the use of the external auditor for non-audit services is subject to pre-clearance by the Audit Committee. Clearance will not be granted if it is believed it would impair the external auditor's independence. Prior to undertaking any non-audit service, KPMG also completes its own independence confirmation processes which are approved by the Partner.

REPORT OF THE AUDIT COMMITTEE (continued)

During the year, the non-audit services fees paid to KPMG related to the interim review and advice on the share placing programme where a fee of £90,000 was paid for this work. Post year-end £83,000 was paid to KPMG in relation to transaction due diligence performed on a property acquisition.

FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income

	Notes	31/03/2015 £000	31/03/2014 £000
Rental income		22,124	20,194
Other income	4	2,067	563
Property operating expenses	5	(2,812)	(2,931)
Net rental and related income, excluding joint ventures		**21,379**	**17,826**
Share of net rental income in joint ventures		*2,273*	*–*
Net rental and related income, including joint ventures		*23,652*	*17,826*
Profit on disposal of investment property	12	**20,696**	**–**
Net valuation gain on investment property	12	**20,144**	**15,691**
Expenses			
Investment management fee	3	(2,752)	(1,781)
Valuers' and other professional fees		(1,277)	(1,181)
Administrators and accounting fee	3	(120)	(120)
Auditor's remuneration	6	(112)	(120)
Directors' fees	7	(185)	(176)
Other expenses	7	(388)	(428)
Total expenses		**(4,834)**	**(3,806)**
Net operating profit before net finance costs		**57,385**	**29,711**
Interest receivable		21	24
Finance costs payable	8	(6,344)	(7,188)
Swap break costs	8	–	(15,088)
Ineffective portion of changes in fair value of swaps		–	13,041
Net finance costs		**(6,323)**	**(9,211)**
Share of net rental income in joint ventures	13	2,273	–
Share of valuation gain in joint ventures	13	1,792	397
Profit before taxation		**55,127**	**20,897**
Taxation	9	(353)	(19)
Profit for the year attributable to the equity holders of the parent		**54,774**	**20,878**
Other comprehensive income: items that are or may be reclassified to the profit and loss			
Effective portion of changes in fair value of swaps		–	57
Net change in fair value of swap reclassified to profit and loss		–	2,121
Total comprehensive income for the year attributable to the equity holders of the parent		**54,774**	**23,056**
Basic and diluted earnings per share	10	**11.3p**	**5.7p**

All items in the above statement are derived from continuing operations. The accompanying notes 1 to 25 form an integral part of the financial statements.

FINANCIAL STATEMENTS (continued)

Consolidated Statement of Financial Position

	Notes	31/03/2015 £000	31/03/2014 £000
Investment in associates and joint ventures	13	72,792	–
Loans to associates and joint ventures	13	–	1,800
Total investment and loans in associates and joint ventures		**72,792**	**1,800**
Investment property	12	298,684	298,074
Non-current assets		**371,476**	**299,874**
Trade and other receivables	14	16,187	10,230
Cash and cash equivalents	15	46,591	14,969
Current assets		**62,778**	**25,199**
Total assets		**434,254**	**325,073**
Issued capital and reserves	16	325,666	190,443
Treasury shares	16	(26,452)	–
Equity		**299,214**	**190,443**
Interest-bearing loans and borrowings	17	127,562	127,406
Non-current liabilities		**(127,562)**	**127,406**
Trade and other payables	18	7,266	7,154
Taxation payable		212	70
Current liabilities		**7,478**	**7,224**
Total liabilities		**135,040**	**134,630**
Total equity and liabilities		**434,254**	**325,073**
Net Asset Value per Ordinary Share	19	57.7p	48.6p

The financial statements on pages 47 to 50 were approved at a meeting of the Board of Directors held on 17 July 2015 and signed on its behalf by:

Lorraine Baldry
Chairman

Harry Dick-Cleland
Director

The accompanying notes 1 to 25 form an integral part of the financial statements.

FINANCIAL STATEMENTS (continued)

Consolidated Statement of Changes in Equity

	Notes	Share premium £000	Treasure share reserve £000	Hedge reserve £000	Revenue reserve £000	Total £000
Balance as at 31 March 2013		**110,305**	**–**	**(2,178)**	**52,386**	**160,513)**
Profit for the year		–	–	–	20,878	20,878)
Change in fair value of swap taken to equity		–	–	57	–	57
Net change in fair value of swap reclassified to profit and loss		–	–	2,121	–	2,121
New Equity Issuance		16,847	–	–	–	16,847
Dividends paid	11	–	–	–	(9,973)	(9,973)
Balance as at 31 March 2014		**127,152**	**–**	**–**	**63,291**	**190,443**
Profit for the year		–	–	–	54,774	54,774
New Equity Issuance		91,938	(26,452)	–	–	65,486
Dividends paid	11	–	–	–	(11,489)	(11,489)
Balance as at 31 March 2015		**219,090**	**(26,452)**	**–**	**106,576**	**299,214**

Total comprehensive income for the year was £54,774,000 (2014: £23,056,000).

The accompanying notes 1 to 25 form an integral part of the financial statements.

FINANCIAL STATEMENTS (continued)

Consolidated Statement of Cash Flows

	31/03/2015	31/03/2014
	£000	£000
Operating activities		
Profit for the year	**54,774**	**20,878**
Adjustments for:		
Profit on disposal of investment property	(20,696)	–
Net valuation gain on investment property	(20,144)	(15,691)
Share of profit of associates and joint ventures	(4,065)	(397)
Net finance cost	6,323	9,211
Taxation	353	19
Operating cash generated before changes in working capital	**16,545**	**14,020**
Increase in trade and other receivables	(4,157)	(1,555)
Increase in trade and other payables	112	360
Cash generated from operations	**12,500**	**12,825**
Finance costs paid	(6,188)	(6,474)
Swap break costs	–	(15,088)
Interest received	21	24
Tax (paid)/received	(211)	168
Cash flows from operating activities	**6,122**	**(8,545)**
Investing Activities		
Proceeds from sale of investment property	86,548	–
Proceeds from sale of investment in joint ventures and associates	–	3,265
Acquisition of investment property	(45,470)	(28,827)
Additions to investment property	(848)	(2,250)
Acquisition of Joint Ventures	(71,000)	–
Net income distributed from joint ventures	2,273	–
Cash flows from investing activities	**(28,497)**	**(27,812)**
Financing Activities		
Repayment of loan	–	(125,700)
New loan drawdown	–	129,585
Loan arrangement fees	–	(2,347)
Share issue net proceeds	65,486	16,847
Dividends paid	(11,489)	(9,973)
Cash flows from financing activities	**53,997**	**8,412**
Net increase/(decrease) in cash and cash equivalents for the year	**31,622**	**(27,945)**
Opening cash and cash equivalents	**14,969**	**42,914**
Closing cash and cash equivalents	**46,591**	**14,969**

The accompanying notes 1 to 25 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 2015 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 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 and have reviewed cash flow forecasts and compliance with the debt covenants, in particular the loan to value covenant and interest cover ratio on the loan with Canada Life that has 80% of the loan maturing in 13 years and 20% maturing in 8 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 estimates made in preparing these financial statements relate to the carrying value of investment properties, including those within joint ventures and associates, 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

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 and joint ventures 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.

Investment property
Investment property is land and buildings held to earn rental income together with the potential for capital growth.

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 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Cash flow hedges

Cash flow hedges may be 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 including treasury shares are classified as equity.

Dividends

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

Impairment

Financial assets

A financial asset, other than those at fair value through profit and loss, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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.

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 and deferred 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. There is no one tenant that represents more than 10% of group revenues. The chief operating decision maker is considered to be the Board of Directors who are provided with consolidated IFRS information on a quarterly basis.

2. New standards and interpretations

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

There were no new standards applicable to the current year.

3. Material agreements

Schroder Real Estate Investment Management Limited is the Investment Manager to the Company. The Investment Manager is entitled to a fee together with reasonable expenses incurred in the performance of its duties. The fee is payable monthly in arrears and shall be an amount equal to one 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 £2,752,000 (2014: £1,781,000). At the year end £471,000 (2014: £296,000) was outstanding.

Subsequent to the year-end Schroder Real Estate Investment Management Limited was paid £200,000 for additional services in relation to the Group's conversion to a REIT in May 2015.

Northern Trust International Fund Administration Services (Guernsey) Limited is the Administrator to the Company. The Administrator is entitled to an annual fee equal to £120,000 (2014: £120,000) of which £30,000 (2014: £30,000) was outstanding at the year end.

4. Other income

	31/03/2015	31/03/2014
	£'000	£'000
Insurance rebates and commissions	–	152
Dilapidations	637	400
Surrender premium	1,378	–
Miscellaneous income	52	11
	2,067	**563**

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Property operating expenses

	31/03/2015	31/03/2014
	£'000	£'000
Agents' fees	132	135
Repairs and maintenance	138	83
Advertising	33	39
Rates – vacant	792	822
Security	132	264
Insurance	312	247
Service charge and utilities on vacant units	1,033	1,059
Ground rent	108	117
Bad debt provision	127	163
Other	5	2
	2,812	**2,931**

6. Auditor's remuneration

The total expected audit fees for the year are £99,000 (2014: £107,000) and £13,000 (2014: £13,000) for the half year review of the financial statements. The auditors were also paid £90,000 for transaction services work during the year in relation to the Group's equity raising. This has been offset in equity.

7. Other expenses

	31/03/2015	31/03/2014
	£'000	£'000
Directors' and officers' insurance premium	21	12
Regulatory costs	60	52
Marketing	15	30
Professional fees	79	61
Other expenses	213	273
	388	**428**

Directors' fees

Directors' fees

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

The Directors' annual remuneration for services to the Group was £185,000 (2014: £176,250), as set out in the Remuneration Report on page 35.

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Finance costs payable

	31/03/2015 £'000	31/03/2014 £'000
Swap break costs: portion of swap previously recognised in profit and loss	–	12,967
Swap break costs: portion of swap previously recognised in equity	–	2,121
Swap break costs	**–**	**15,088**
Interest payable	6,344	6,346
Write off of loan arrangement fees	–	658
Other debt fees	–	184
Finance costs payable	**6,344**	**7,188**
Total finance costs	**6,344**	**22,276**

9. Taxation

	31/03/2015 £'000	31/03/2014 £'000
Tax expense in year	353	19
Reconciliation of effective tax rate		
Profit before tax	**55,127**	**20,897**
Effect of:		
Income tax using UK income tax rate of 20%	11,025	4,179
Revaluation gain not taxable	(4,029)	(3,178)
Share of profit of associates and joint ventures not taxable	(813)	79
Profit on disposal of investment property not taxable	(4,139)	–
Changes in fair value gain of ineffective swaps where no deferred tax has been recognised	–	(2,608)
Swap break costs not taxable	–	3,017
Adjustment in respect to prior years	152	–
Utilisation of capital allowance, effect of different tax rates in subsidiaries and other adjustments	(1,843)	(1,470)
Current tax expense in the year	**353**	**19**

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 £1,200 per annum. The Directors intend to conduct the Group's affairs such that they continue to remain eligible for exemption.

Cumulative tax losses total £14 million (2014: £14 million). No tax asset has been recognised in the financial statements as it is not probable that tax losses will be utilised given the conversion to UK REIT status on 1 May 2015.

10. Basic and diluted earnings per share

Earnings per share

The basic and diluted earnings per share for the Group is based on the net profit for the year of £54,774,000 (2014: £20,878,000) and the weighted average number of Ordinary Shares in issue during the year of 485,661,354 (2014: 363,819,808).

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Dividends paid

In respect of	No. of Ordinary Shares	Rate (pence)	31/03/2015 £'000
Quarter 31 March 2014 dividend paid 25 April 2014	391.51 million	0.62	2,427
Quarter 30 June 2014 dividend paid 15 August 2014	471.51 million	0.62	2,923
Quarter 30 September 2014 dividend paid 28 November 2014	471.51 million	0.62	2,923
Quarter 31 December 2014 dividend paid 27 February 2015	391.51 million	0.62	3,216
		2.48	**11,489**

In respect of	No. of Ordinary Shares	Rate (pence)	31/03/2014 £'000
Quarter 31 March 2013 dividend paid 24 May 2013	355.92 million	0.88	3,132
Quarter 30 June 2013 dividend paid 23 August 2013	355.92 million	0.62	2,207
Quarter 30 September 2013 dividend paid 22 November 2013	355.92 million	0.62	2,207
Quarter 31 December 2013 dividend paid 21 February 2014	391.51 million	0.62	2,427
		2.74	**9,973**

A dividend for the quarter ended 31 March 2015 of 0.62 pence (£3.2 million) was declared on 29 April 2015 and paid on 28 May 2015.

12. Investment property

	Leasehold £'000	Freehold £'000	Total £'000
Fair value as at 31 March 2013	**39,393**	**211,913**	**251,306**
Additions	23	31,054	31,077
Net valuation (loss)/gain on investment property	(55)	15,746	15,691
Fair value as at 31 March 2014	**39,361**	**258,713**	**298,074**
Additions	232	46,086	46,318
Gross proceeds on disposals	(2,295)	(84,253)	(86,548)
Realised (loss)/gain on disposals	(1,209)	21,905	20,696
Net valuation gain on investment property	3,138	17,006	20,144
Fair value as at 31 March 2015	**39,227**	**259,457**	**298,684**

Fair value of investment properties as determined by the valuer totals £310,205,000 (2014: £306,480,000). Of this amount £2,305,000 in relation to the unconditional exchange of contracts for the sale of Woking and £9,216,000 (2014: £8,406,000) in connection with lease incentives is included within trade and other receivables.

The net valuation gain on investment property consists of unrealised gains of £23,970,000 net of unrealised losses of £3,826,000.

The fair value of investment property has been determined by Knight Frank LLP, a firm of independent chartered surveyors, who are registered independent appraisers. The valuation has been undertaken in accordance with the RICS Valuation – Professional Standards January 2014 Global and UK Edition, issued by the Royal Institution of Chartered Surveyors (the "Red Book") including the International Valuation Standards.

NOTES TO THE FINANCIAL STATEMENTS (continued)

The properties have been valued on the basis of "Fair Value" in accordance with the RICS Valuation – Professional Standards VPS4(1.5) Fair Value and VPGA1 Valuations for Inclusion in Financial Statements which adopt the definition of Fair Value used by the International Accounting Standards Board.

The valuation has been undertaken using appropriate valuation methodology and the Valuer's professional judgement. The Valuer's opinion of Fair Value was primarily derived using recent comparable market transactions on arm's length terms, where available, and appropriate valuation techniques (The Investment Method).

The properties have been valued individually and not as part of a portfolio.

All investment properties are categorised as Level 3 fair values as they use significant unobservable inputs. There have not been any transfers between Levels during the year. Investment properties have been classed according to their real estate sector. Information on these significant unobservable inputs per class of investment property is disclosed below:

Quantitative information about fair value measurement using unobservable inputs (Level 3) as at 31 March 2015

31 March 2015		Industrial	Retail (incl retail) warehouse	Office	Leisure	Total
Fair value (£000)		70,850	113,105	114,550	11,700	310,205
Area ('000 sq ft)		1,248	505	657	145	2,555
Net passing rent per sq ft per annum	Range Weighted average	£0 – £8.82 £4.03	£0 – £38.50 £13.44	£0 – £25.72 £12.92	£6.97 N/A	£0 – £38.50 £8.34
Gross ERV per sq ft per annum	Range Weighted average	£3.00 – £9.25 £4.59	£7.40 – £49.50 £16.31	£9.00 – £26.00 £14.26	£8.72 N/A	£3.00 – £49.50 £9.62
Net initial yield[1]	Range Weighted average	0% – 8.31% 6.71%	0% – 9.20% 5.67%	1.00% – 13.99% 7.00%	8.17% N/A	0% – 13.99% 6.49%
Equivalent yield	Range Weighted average	5.74% – 8.53% 7.43%	4.50% – 9.84% 6.45%	5.39% – 9.67% 7.24%	8.49% N/A	4.50% – 9.84% 7.04%

Notes:
[1]Yields based on rents receivable after deduction of head rents, but gross of non-recoverables

Quantitative information about fair value measurement using unobservable inputs (Level 3) as at 31 March 2014

		Industrial[1]	Retail (incl retail) warehouse	Office	Other (incl dev sites)[1]	Total
Fair value (£000)		68.87	93.96	116.30	27.35	306.48
Area ('000 sq ft)		1,168	448	731	145	2,492
Net passing rent per sq ft per annum	Range Weighted average	£1.90 – £8.82 £3.05	£0 – £42.75 £14.25	£0 – £25.72 £12.34	£0 – £4.48 N/A	£0 – £42.75 £7.88
Gross ERV per sq ft per annum	Range Weighted average	£3.55 – £8.82 £4.07	£9.46 – £42.75 £16.36	£9.79 – £24.00 £13.95	£0 – £8.75 N/A	£0 – £42.75 £9.45
Net initial yield[2]	Range Weighted average	0% – 12.32% 6.55%	0% – 14.26% 6.67%	2.71% – 15.30% 7.84%	8.05% N/A	0% – 15.306% 6.47%
Equivalent yield	Range Weighted average	6.26% – 9.91% 8.01%	4.84% – 10.27% 6.85%	5.65% – 12.96% 7.59%	8.55% N/A	4.84% – 12.96% 7.46%

Notes:
[1]Yield profiles calculated excluding the Market Value of land held for development
[2]Yields based on rents receivable after deduction of head rents, but gross of non-recoverables

NOTES TO THE FINANCIAL STATEMENTS (continued)

Sensitivity of measurement to variations in the significant unobservable inputs

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy of the Group's property portfolio, together with the impact of significant movements in these inputs on the fair value measurement, are shown below:

Unobservable input	Impact on fair value measurement of significant increase in input	Impact on fair value measurement of significant decrease in input
Passing rent	Increase	Decrease
Gross ERV	Increase	Decrease
Net initial yield	Decrease	Increase
Equivalent yield	Decrease	Increase

There are interrelationships between the yields and rental values as they are partially determined by market rate conditions.

The sensitivity of the valuation to changes in the most significant inputs per class of investment property are shown below:

Estimated movement in fair value of investment properties at 31 March 2015	Industrial £'000	Retail £'000	Office £'000	Other £'000	Total £'000
Increase in ERV by 5%	3,050	4,300	4,150	300	11,800
Decrease in ERV by 5%	(2,750)	(4,300)	(3,655)	(200)	(10,905)
Increase in net initial yield by 0.25%	(2,550)	(4,850)	(3,900)	(350)	(11,650)
Decrease in net initial yield by 0.25%	2,750	5,150	4,300	400	12,600

Estimated movement in fair value of investment properties at 31 March 2014	Industrial £'000	Retail £'000	Office £'000	Other £'000	Total £'000
Increase in ERV by 5%	2,280	3,440	4,450	200	10,370
Decrease in ERV by 5%	(1,720)	(3,570)	(4,900)	(250)	(10,440)
Increase in net initial yield by 0.25%	(1,900)	(3,400)	(3,550)	(350)	(9,200)
Decrease in net initial yield by 0.25%	2,150	3,650	3,900	375	10,075

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Investment in associates and joint ventures

During the year the Group purchased a 25% interest in City Tower Unit Trust for £35 million and a 50% interest in Store Unit Trust for £36 million. These investments have been accounted for as joint ventures.

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

	£'000
Opening balance as at 31 March 2013	**4,703**
Sale of Merchant	(3,300)
Share of profits in year	397
Closing balance as at 31 March 2014	**1,800**
Sale of Crendon*	(1,800)
Purchase of interest in City Tower Unit Trust	35,000
Purchase of interest in Store Unit Trust	36,000
Share of profit for the year	4,065
Distribution received	(2,273)
Closing balance as at 31 March 2015	**72,792**

*Crendon Industrial Partnership sold Crendon Industrial Park during the year ended 31 March 2014 giving rise to net proceeds to SREIT of £1.8m, which were received in April 2014.

	31/03/2015	31/03/2014
	£'000	£'000
Summarised financial information not adjusted for the Group's share		
Total assets	223,222	3,978
Total liabilities[1]	692	5
Revenues for year	7,396	1,762
Total comprehensive income	10,530	1,217
Net asset value attributable to Group	72,792	–
Loans due to Group	–	1,800
Total comprehensive income attributable to the Group	4,065	397

[1]Liabilities that are non-recourse to the Group

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Trade and other receivables

	31/03/2015	31/03/2014
	£'000	£'000
Rent receivable	1,353	1,822
Other debtors and prepayments	14,834	8,408
	16,187	**10,230**

Other debtors and prepayments includes £9,216,000 (2014: £8,406,000) in respect of lease incentives. A further £2,305,000 relates to Spectrum House, Woking, that exchanged but not completed prior to the year end and £2,262,500 in relation to partial deferred payment to October 2015 of the Hinckley disposal proceeds.

15. Cash and cash equivalents

As at 31 March 2015, the group had £46.6 million (2014: £15.0 million) in cash of which £26.9 million is proceeds from sales held within the Canada Life security pool. £229,000 is held in respect of tenant deposits (see note 18).

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

During the year the Company issued an additional 80,000,000 new ordinary shares under the placing and offer for subscription programme in April 2014 at a price of 50.25p per share. A further 47,000,000 new ordinary shares were issued under the placing programme at a price of 57.50p per share in November 2014.

On 5 March 2015, a further 47,151,340 shares were issued under the placing programme at a price of 56.1p per share. These shares were immediately repurchased by the Company, at the same price, to be held in treasury, and may be sold to meet ongoing demand.

Issue costs in relation to the placings were £1,739,000.

As at the date of this Report, the Company has 565,664,749 ordinary shares in issue of which 47,151,340 ordinary shares (representing 8.3% of the Company's total issued share capital) are held in treasury. The total number of voting rights of the Company is 518,513,409.

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.

	31/03/2015		31/03/2014	
	£'000	£'000	£'000	£'000
Non-current liabilities				
Loan facility		129,585		129,585
Less: Finance costs incurred	(2,212)		(2,347)	
Add: Amortised finance costs	189	(2,023)	168	(2,179)
		127,562		**127,406**

The Group entered into a new £129.6 million loan facility with Canada Life on 16 April 2013 that has 20% of the loan maturing on 15 April 2023 and with the balance of 80% maturing on 15 April 2028, with a fixed interest rate of 4.77%. As at 31 March 2015 the group has a loan balance of £129.6 million and £2.0 million of unamortised arrangement fees.

NOTES TO THE FINANCIAL STATEMENTS (continued)

The facility has a first charge security over all the property assets in the ring fenced Security Pool (the 'Security Pool') which at 31 March 2015 contained properties valued at £294 million together with £26.9 million cash. Various restraints apply during the term of the loan although the facility has been designed to provide significant operational flexibility.

The principal covenants are that the loan should not comprise more than 65% of the value of the assets in the Security Pool nor should estimated rental and other income arising from assets in the Security Pool, calculated on any interest payment date and one year projected from any interest payment date, comprise less than 185% of the interest payments. The interest cover calculated in accordance with the ICR covenant was 334% (2014: 293%) and the projected interest cover was 284% (2014: 250%), as at 31 March 2015. The Loan to value ratio as at 31 March 2015 of 43.8% (29.0% net of all cash) (2014: 46.6%, 41.6% net of all cash) was within the covenant requirement of 65%.

18. Trade and other payables

	31/03/2015	31/03/2014
	£'000	£'000
Rent received in advance	4,553	4,522
Rental deposits	229	383
Interest payable	1,305	1,305
Other trade payables and accruals	1,179	944
	7,266	**7,154**

19. NAV per Ordinary Share

The NAV per Ordinary Share is based on the net assets of £299,214,000 (2014: £190,443,000) and 518,513,409 (2014: 391,513,409) 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 previously entered into interest rate swap contracts which were 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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.

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. HSBC Credit Rating is AA negative (provided by Standard and Poor).

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

	31 March 2015 Carrying amount £'000	31 March 2014 Carrying amount £'000
Office	349	626
Industrial	646	721
Retail	358	475
	1,353	**1,822**

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

	31 March 2015 Carrying amount £'000	31 March 2014 Carrying amount £'000
0-30 days	1,192	1,654
31-60 days	18	25
61-90 days	4	8
91 days plus	139	135
	1,353*	**1,822***

*Net of bad debt provisions of £71,000 (2014: £573,000).

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 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

As at 31 March 2015	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	128,867	209,941	3,091	9,272	18,544	179,035
Trade and other payables	1,408	1,408	1,408	–	–	–
Total financial liabilities	**130,275**	**211,349**	**4,499**	**9,272**	**18,544**	**179,035**

As at 31 March 2014	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	128,711	216,123	3,091	9,272	18,544	185,216
Trade and other payables	1,327	1,327	1,327	–	–	–
Total financial liabilities	130,038	217,450	4,418	9,272	18,544	185,216

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. As interest on the Group's long-term debt obligations is payable on a fixed-rate basis the Group is not exposed to interest rate risk, but is exposed to changes in fair value of long-term debt obligations driven by interest rate movements. As at 31 March 2015 the fair value of the Group's £129.6 million loan with Canada Life was £138.1 million (2014: £122.0 million).

A 1% increase or decrease in short-term interest rates would increase or decrease the annual income and equity by £466,000 based on the cash balance as at 31 March 2015.

Fair values

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

The fair value hierarchy levels are as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the assets or liability that are not based on observable market data (unobservable inputs).

There have been no transfers between Levels 1, 2 and 3 during the year (2014: none).

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

Investment property – level 3

Fair value is based on valuations provided by an independent firm of chartered surveyors and registered appraisers. These values were determined after having taken into consideration recent market transactions for similar properties in similar locations to the investment properties held by the Group. The fair value hierarchy of investment property is level 3.See Note 12 for further details.

Interest bearing loans and borrowings – level 2

Fair values are based on the present value of future cash flows discounted at a market rate of interest. Issue costs are amortised over the period of the borrowings. As at 31 March 2015 the fair value of the Group's £129.6 million loan with Canada Life was £138.1 million.

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 (continued)

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:

	31/03/2015 £'000	31/03/2014 £'000
Debt		
Fixed rate loan facility	**129,585**	**129,585**
Equity		
Called-up share capital	192,638	127,152
Reserves	106,576	63,291
	299,214	**190,443**
Total debt and equity	**428,799**	**320,028**

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 2015 the future minimum lease receipts under non-cancellable leases are as follows:

	31/03/2015 £'000	31/03/2014 £'000
Less than one year	20,436	19,708
Between one and five years	67,845	62,940
More than five years	85,866	105,355
	174,147	**188,003**

The total above comprises the total contracted rent receivable as at 31 March 2015.

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. List of Subsidiary, Associate and Joint Venture Undertakings

The companies listed below are those which were part of the group at 31 March 2015:

Undertaking	Category	Country of Incorporation	Ultimate Ownership
SREIT No.2 Limited	Subsidiary	Guernsey	100%
SREIT Holdings Limited	Subsidiary	Guernsey	100%
SREIT (Merchant) Limited*	Subsidiary	Guernsey	100%
SREIT (Basingstoke) Limited*	Subsidiary	Guernsey	100%
SREIT (Salisbury) Limited*	Subsidiary	Guernsey	100%
SREIT (Hinckley) Limited*	Subsidiary	Guernsey	100%
SREIT (Wembley) Limited*	Subsidiary	Guernsey	100%
SREIT (Tokenhouse) Limited*	Subsidiary	Guernsey	100%
SREIT (Portman) Limited*	Subsidiary	Guernsey	100%
SREIT (Minerva) Limited*	Subsidiary	Guernsey	100%
SREIT Property Limited	Subsidiary	Guernsey	100%
SREIT (Portergate) Limited	Subsidiary	Guernsey	100%
SREIT (Victory) Limited	Subsidiary	Guernsey	100%
SREIT (Uxbridge) Limited	Subsidiary	Guernsey	100%
SREIT (City Tower) Limited	Subsidiary	Guernsey	100%
SREIT (Store) Limited	Subsidiary	Guernsey	100%
Lunar Partnership (Brentford) Limited	Subsidiary	Guernsey	100%
LP (Brentford) Limited	Subsidiary	Guernsey	100%
City Tower Unit Trust	Joint Venture	Jersey	25%
Store Unit Trust	Joint Venture	Jersey	50%
Clerical Medical (Industrial) Nominees Company*	Subsidiary	United Kingdom	100%
Clerical Medical (Retail) Nominees Company*	Subsidiary	United Kingdom	100%
Clerical Medical (Retail) Nominees Company*	Subsidiary	United Kingdom	100%

*Companies liquidated post year ended 31 March 2015

23. 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.

24. Capital commitments

At 31 March 2015 the Group had no capital commitments.

25. Post balance sheet events

Following 96.5% of shareholders voting in favour of the special resolution to convert to a Real Estate Investment Trust ('REIT'), the Company entered the UK REIT regime on 1 May 2015.

On 15 May 2015 the Company acquired the freehold interest in St. John's Retail Park in Bedford for £31.8 million.

EPRA PERFORMANCE MEASURES (UNAUDITED)

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

EPRA performance measures: Summary Table

	31 March 2015 Total	31 March 2014 Total
	£'000	£'000
EPRA earnings	12,142	7,495
EPRA earnings per share	2.5	2.1
EPRA NAV	299,214	190,443
EPRA NAV per share	57.7	48.6
EPRA NNNAV	288,676	195,849
EPRA NNNAV per share	55.7	50.0
EPRA Net Initial Yield	5.6%	5.2%
EPRA topped-up Net Initial Yield	5.7%	5.6%
EPRA Vacancy Rate	9.60%	10.80%
EPRA Cost Ratios – including direct vacancy costs	32.3%	33.0%
EPRA Cost Ratios – excluding direct vacancy costs	24.8%	23.6%

a. EPRA earnings and EPS

Total comprehensive income excluding realised and unrealised gains/losses on investment property, share of profit on joint venture investments and changes in fair value of financial instruments, divided by the weighted average number of shares.

	31/03/2015	31/03/2014
	£'000	£'000
IFRS profit after tax	**54,774**	**20,878**
Adjustments to calculate EPRA Earnings:		
Profit on disposal of investment property	(20,696)	–
Net valuation gain on investment property	(20,144)	(15,691)
Share of valuation gain in associates and joint ventures	(1,792)	(397)
Changes in fair value of financial instruments	–	2,705
EPRA earnings	**12,142**	**7,495**
Weighted average number of Ordinary shares	**485,661,354**	**363,819,808**
IFRS earnings per share (pence per share)	**11.3**	**5.7**
EPRA earnings per share (pence per share)	**2.5**	**2.1**

EPRA PERFORMANCE MEASURES (UNAUDITED)

(continued)

b. EPRA NAV per share

The Net Asset Value adjusted to exclude assets or liabilities not expected to crystalise in a long-term investment property model, divided by the number of shares in issue.

	31/03/2015	31/03/2014
	£'000	£'000
IFRS NAV per financial statements	299,214	190,443
EPRA NAV	299,214	190,443
Shares in issue at end of year	518,513,409	391,513,409
IFRS NAV per share	**57.7**	**48.6**
EPRA NAV per share	**57.7**	**48.6**

c. EPRA NNNAV per share

The EPRA NAV adjusted to include the fair value of debt, divided by the number of shares in issue.

	31/03/2015	31/03/2014
	£'000	£'000
EPRA NAV	299,214	190,443
Adjustments to calculate EPRA NNNAV:		
Fair value of debt	(10,538)	5,406
EPRA NNNAV	**288,676**	**195,849**
EPRA NNNAV per share	**55.7**	**50.0**

d. EPRA Net Initial Yield

Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the grossed up market value of the complete property portfolio.

The EPRA "topped up" NIY is the EPRA NIY adjusted for unexpired lease incentives.

	31/03/2015	31/03/2014
	£'000	£'000
Investment property – wholly owned	310,205	306,480
Investment property – share of joint ventures and funds	71,938	–
Complete property portfolio	**382,143**	**306,480**
Allowance for estimated purchasers' costs	22,164	17,163
Gross up completed property portfolio valuation	**404,307**	**323,643**
Annualised cash passing rental income	25,367	19,642
Property outgoings	(2,812)	(2,931)
Annualised net rents	22,555	16,711
Notional rent expiration of rent free periods[1]	599	1,340
Topped-up net annualised rent	**23,154**	**18,051**
EPRA NIY	**5.6%**	**5.2%**
EPRA "topped-up" NIY	**5.7%**	**5.6%**

[1]The period over which rent free periods expire is 2 years (2014: 3 years)

EPRA PERFORMANCE MEASURES (UNAUDITED)

(continued)

e. EPRA cost ratios

Administrative and operating costs as a percentage of gross rental income calculated including and excluding direct vacancy costs.

	31/03/2015	31/03/2014
	£'000	£'000
Administrative/property operating expense line per IFRS income statement	7,646	6,737
Share of joint venture expenses	305	–
Ground rent costs	(108)	(117)
EPRA Costs (including direct vacancy costs)	**7,843**	**6,620**
Direct vacancy costs	(1,825)	(1,881)
EPRA Costs (excluding direct vacancy costs)	**6,018**	**4,739**
Gross Rental Income less ground rent costs	22,016	20,077
Share of Joint Ventures income less ground rent costs	2,273	–
Gross Rental Income	**24,289**	**20,077**
EPRA Cost Ratio (including direct vacancy costs)	**32.3%**	**33.0%**
EPRA Cost Ratio (excluding direct vacancy costs)	**24.8%**	**23.6%**
EPRA Vacancy Rate	**9.60%**	**10.80%**

REPORT OF THE DEPOSITARY TO THE SHAREHOLDERS

Northern Trust (Guernsey) Limited has been appointed as Depositary to Schroder Real Estate Investment Trust Limited (the "Company") in accordance with the requirements of Article 36 and Articles 21(7), (8) and (9) of the Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 the "AIFM Directive").

We have enquired into the conduct of Schroder Real Estate Investment Management Ltd (the "AIFM") for the period 21 July 2014 to 31 March 2015, in our capacity as Depositary to the Company.

This report including the review provided below has been prepared for and solely for the Shareholders in the Company. We do not, in giving this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown.

Our obligations as Depositary are stipulated in the relevant provisions of the AIFM Directive and the relevant sections of Commission Delegated Regulation (EU) No 231/2013 (collectively the "AIFMD legislation").

Amongst these obligations is the requirement to enquire into the conduct of the AIFM and the Company and their delegates in each annual accounting period.

Our report shall state whether, in our view, the Company has been managed in that period in accordance with the AIFMD legislation. It is the overall responsibility of the AIFM to comply with these provisions. If the AIFM or their delegates have not so complied, we as the Depositary will state why this is the case and outline the steps which we have taken to rectify the situation.

The Depositary and its affiliates are or may be involved in other financial and professional activities which may on occasion cause a conflict of interest with its roles with respect to the Company. The Depositary will take reasonable care to ensure that the performance of its duties will not be impaired by any such involvement and that any conflicts which may arise will be resolved fairly and any transactions between the Depositary and its affiliates and the Company shall be carried out as if effected on normal commercial terms negotiated at arm's length and in the best interests of Shareholders.

Basis of Depositary Review

The Depositary conducts such reviews as it, in its reasonable discretion, considers necessary in order to comply with its obligations and to ensure that, in all material respects, the Company has been managed (i) in accordance with the limitations imposed on its investment and borrowing powers by the provisions of its constitutional documentation and the appropriate regulations and (ii) otherwise in accordance with the constitutional documentation and the appropriate regulations. Such reviews vary based on the type of Company, the assets in which a Company invests and the processes used, or experts required, in order to value such assets.

REPORT OF THE DEPOSITARY TO THE SHAREHOLDERS (continued)

Review

In our view, the Company has been managed during the year, in all material respects:

(i) in accordance with the limitations imposed on the investment and borrowing powers of the Company by the constitutional document; and by the AIFMD legislation; and

(ii) otherwise in accordance with the provisions of the constitutional document; and the AIFMD legislation.

For and on behalf of
Northern Trust (Guernsey) Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCHRODER REAL ESTATE INVESTMENT TRUST LIMITED

Opinions and conclusions arising from our audit

Opinion on financial statements

We have audited the consolidated financial statements (the "financial statements") of Schroder Real Estate Investment Trust Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 March 2015 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. In our opinion, the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2015 and of its total comprehensive income for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards; and
- comply with the Companies (Guernsey) Law, 2008.

Our assessment of risks of material misstatement

The risks of material misstatement detailed in this section of this report are those risks that we have deemed, in our professional judgement, to have had the greatest effect on: the overall audit strategy; the allocation of resources in our audit; and directing the efforts of the engagement team. Our audit procedures relating to these risks were designed in the context of our audit of the financial statements as a whole. Our opinion on the financial statements is not modified with respect to any of these risks, and we do not express an opinion on these individual risks.

In arriving at our audit opinion above on the financial statements, the risk of material misstatement that had the greatest effect on our audit was as follows:

Valuation of investment property held directly by the Group (£298,684,000) and indirectly through investment in associates and joint ventures (£72,792,000)

Refer to page 44 of the Report of the Audit Committee, Note 1 accounting policies and Notes 12 (investment property) and 13 (joint ventures).

- **The risk** – The Group's direct property portfolio accounted for 71.4% of the Group's total assets as at 31 March 2015 and the investment in joint ventures accounted for a further 16.8% of total assets. The fair value of the direct and indirect investment properties at 31 March 2015 was assessed by the Board of Directors based on independent valuations prepared by the Group's and associate/joint venture's external property valuers. As highlighted in the Report of the Audit Committee, the valuation of the combined property portfolio, given it represents the majority of the total assets of the Group and requires the use of significant judgment and subjective assumptions, is a significant area of our audit.
- **Our response** – Our audit procedures with respect to both the directly and indirectly owned investment properties included, but were not limited to, testing the design, implementation and operating effectiveness of certain relevant controls over the information contained in the lease database, critically assessed the valuation

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCHRODER REAL ESTATE INVESTMENT TRUST LIMITED (continued)

prepared by the external property valuers and evaluated the appropriateness of the valuation methodologies and assumptions used, including undertaking discussions on key findings with the external valuers and challenging the assumptions used, with the assistance of our own real estate specialist for the directly held investment property. We compared a sample of key inputs to the valuation such as yields, occupancy and tenancy contracts for consistency with other audit findings and observable market evidence.

We also considered the Group's investment property valuation policies and their application as described in the notes to the financial statements for compliance with International Financial Reporting Standards in addition to the adequacy of disclosures in Notes 1, 12 and 13 in relation to the fair value of the investment properties and investment in associates and joint ventures.

Our application of materiality and an overview of the scope of our audit

Materiality is a term used to describe the acceptable level of precision in financial statements. Auditing standards describe a misstatement or an omission as "material" if it could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The auditor has to apply judgement in identifying whether a misstatement or omission is material and to do so the auditor identifies a monetary amount as "materiality for the financial statements as a whole".

The materiality for the financial statements as a whole was set at £3 million. This has been calculated using a benchmark of the Group's total assets (of which it represents approximately 0.7%) which we believe is the most appropriate benchmark as investment property values are considered as the prime driver of returns to the members of the Company.

We agreed with the audit committee to report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £150,000, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

The Group audit team performed the audit of the Group as if it was a single operating entity based on the aggregated set of financial information for the Group. The audit was performed using the materiality levels set out above and covered 100% of total Group rental income, Group profit before taxation and total Group assets. Our assessment of materiality has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.

Whilst the audit process is designed to provide reasonable assurance of identifying material misstatements or omissions it is not guaranteed to do so. Rather we plan the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant depth of work on a broad range of assets, liabilities, income and expense as well as devoting significant time of the most experienced members of the audit team, in particular the Responsible Individual, to subjective areas of the accounting and reporting process.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCHRODER REAL ESTATE INVESTMENT TRUST LIMITED (continued)

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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Matters on which we are required to report by exception

Under International Standards on Auditing (UK and Ireland) ("ISAs") we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy; or
- the Report of the Audit Committee does not appropriately address matters communicated by us to the audit committee.

Under the Companies (Guernsey) Law, 2008, we are required 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 on pages 37 to 42 relating to the Company's compliance with the ten provisions of the UK Corporate Governance Code specified for our review.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCHRODER REAL ESTATE INVESTMENT TRUST LIMITED (continued)

Scope of report and responsibilities

The purpose of this report and restrictions on its use by persons other than the Company's members as a body

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008 and, in respect of any further matters on which we have agreed to report, on terms we have agreed with the Company. 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 Directors' Responsibilities Statement set out on page 32, 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 ISAs (UK and Ireland). Those standards require us to comply with the UK Ethical Standards for Auditors.

Deborah J Smith
For and on behalf of KPMG Channel Islands Limited
Chartered Accountants and Recognised Auditors
Glategny Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 1WR

17 July 2015

The maintenance and integrity of the Schroder Real Estate Investment Trust Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements or audit report since they were initially presented on the website.

Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

GLOSSARY

Company is Schroder Real Estate Investment Trust Limited.

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.

EPRA is European Public Real Estate Association.

EPRA NNNAV is EPRA Triple Net Asset Value.

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

Group is the Company and its subsidiaries.

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

Interest cover is the number of times net interest payable is covered by 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, 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.

REIT is Real Estate Investment Trust.

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Company will be held at 31 Gresham Street, London, EC2V 7QA on 11 September 2015 at 10.00 am.

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 2015.
Ordinary Resolution 2	3.	To approve the Remuneration Report for the year ended 31 March 2015.
Ordinary Resolution 3	4.	To re-elect Ms Lorraine Baldry as a Director of the Company.
Ordinary Resolution 4	5.	To re-elect Mr Stephen Bligh as a Director of the Company.
Ordinary Resolution 5	6.	To re-elect Mr John Frederiksen as a Director of the Company.
Ordinary Resolution 6	7.	To re-elect Mr Keith Goulborn as a Director of the Company.
Ordinary Resolution 7	8.	To re-appoint KPMG Channel Islands Limited as Auditor of the Company until the conclusion of the next Annual General Meeting.
Ordinary Resolution 8	9.	To authorise the Board of Directors to determine the Auditor's remuneration.
Ordinary Resolution 9	10.	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: (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 2016 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.
		To consider and, if thought fit, pass the following Special Resolution:
Special Resolution	11.	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 of the Articles of Incorporation did not apply to any such allotments and

NOTICE OF ANNUAL GENERAL MEETING (continued)

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 such number of ordinary shares as is equal to 10% of the ordinary shares in issue on the date on which this resolution is passed;

(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 2016 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.

12. Close of Meeting.

By Order of the Board

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

17 July 2015

Notes

1. To be passed, 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. To be passed, 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 different shares held by the member.
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.